



# South China Holdings Company Limited 南華集團控股有限公司

Incorporated in the Cayman Islands with limited liability  
Stock Code : 00413



## ANNUAL REPORT 2025



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ng Hung Sang (Chairman)  
Ms. Cheung Choi Ngor  
(Vice Chairman and Co-Chief Executive Officer)  
Mr. Ng Yuk Yeung Paul  
(Executive Vice Chairman and Co-Chief Executive Officer)

### Non-executive Directors

Ms. Ng Yuk Mui Jessica  
Mr. Yu Pui Hang

### Independent Non-executive Directors

Mr. Kam Yiu Shing Tony  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Wong Chun Tat, J.P.

## AUDIT COMMITTEE

Mr. Kam Yiu Shing Tony (Committee Chairman)  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Wong Chun Tat, J.P.

## REMUNERATION AND NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, BBS, J.P.  
(Committee Chairman)  
Mr. Kam Yiu Shing Tony  
Mr. Wong Chun Tat, J.P.

## COMPANY SECRETARY

Mr. Watt Ka Po James

## AUDITOR

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

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
Nanyang Commercial Bank, Limited  
Chong Hing Bank Limited  
China Construction Bank (Asia) Corporation Limited

## REGISTERED OFFICE

P. O. Box 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

28th Floor  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33rd Floor  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## STOCK CODE

00413

## WEBSITE

<http://www.scholding.com>

# Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025 (the "Year").

## FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded its total revenue of HK\$2,179 million for the year ended 31 December 2025 (the "Year"), representing a decrease of approximately 33% compared to 2024 (2024: HK\$3,232 million), and its loss after tax of HK\$1,464 million for the Year as compared to the profit after tax of HK\$12 million in 2024. The deterioration in results, shifting from profit to loss, was mainly attributed to (i) net fair value loss on investment properties, reflecting the softening of the relevant property markets; (ii) an operating loss from trading and manufacturing business as a result of decrease in sales orders received from a major customer and reduction of orders from overseas customers because of US tariff impact.

Basic loss per share attributable to equity shareholders of the Company for the Year was approximately HK11.2 cents (2024: basic earnings per share: HK0.01 cents).

## DIVIDENDS

The Company had not declared or paid any interim dividend during the Year (2024: Nil) and the Board did not recommend the payment of a final dividend for the Year (2024: Nil).

## BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

### Trading and Manufacturing

The trading and manufacturing segment comprises (i) OEM production of toy products; (ii) trading of footwear products; and (iii) sales of branded ball products. During the Year, this segment's revenue decreased by approximately 34% to HK\$1,974 million (2024: HK\$3,007 million), reflecting weak demands across key product categories from customers. This segment recorded an operating loss of HK\$189.9 million for the Year (2024: operating profit of HK\$202.6 million).

#### (i) OEM toys production

The OEM toys operation generated revenue of HK\$1,621 million for the Year (2024: HK\$2,725 million), representing a decrease of approximately 41% compared with 2024.

The Year was shaped by the appreciation of Renminbi ("RMB"), weak consumer sentiment, sluggish economic conditions, heightened geopolitical tensions and policies uncertainties, including the continuation of US tariffs. These factors collectively suppressed global demand for non-essential consumer goods, such as toys, and led the Group's major US customers to adopt a more conservative and risk-averse ordering strategy.

## Chairman's Statement and Management Discussion and Analysis

The Group was further affected by a sharp decline in demand for a specific toy product from a major customer for 2025 season due to tariffs and sourcing diversification.

As a result, the Group's principal production facilities experienced significant underutilization of capacity. In response to the significantly reduced purchase orders and prolonged underutilization, the Group is undergoing a restructuring of its OEM toy production operations. This initiative aims to optimize resource allocation, streamline manufacturing processes, reduce operating costs and enhance operational efficacy.

### (ii) Trading of footwear products

Revenue from this segment increased by approximately 28% to HK\$343 million during the Year (2024: HK\$269 million). This segment recorded a stable operating profit of HK\$10.3 million (2024: HK\$10.3 million). The notable growth in revenue was mainly attributable to successful expansion of the customer network. Operating profit remained stable because of the net effect of the increase in sales, the decrease in gross profit margin by offering attractive price to expand its customer base and lowering manufacturing costs by effective diversification of production in countries with lower production costs including Cambodia and Bangladesh.

### (iii) Sales of branded ball products

Revenue from sales of branded ball products in Mainland China decreased by approximately 27% to HK\$8.0 million during the Year (2024: HK\$10.9 million). The decline was primarily attributable to a significant shift in purchase behaviour (i.e. from bulk procurement through tendering to purchasing on an as-needed basis) amongst educational institutions which have historically been the Group's major customers for ball products. This shift is likely a result of tighter budget allocations to the educational institutions by the local governments. To mitigate the impact of reduced reliance on bulk purchases by educational institutions, the Group will broaden its sales channels and enhance product exposure by leveraging the long-established "LeeSheng (利生)" brand, which has a history of over 100 years in Mainland China. This strategy aims to expand the Group's distribution network and strengthen its market presence.

## Property Investment and Development

Revenue from the property investment and development segment decreased by approximately 9% to HK\$204 million during the Year (2024: HK\$223 million). This segment recorded an operating loss of HK\$1,118.3 million, including the fair value change on investment properties (2024: operating profit of HK\$16.5 million). Excluding fair value changes, this segment generated an operating profit of HK\$44.2 million (2024: HK\$98.4 million), representing a decrease of approximately 55% compared with 2024 which was caused by decrease in sales of residential properties by HK\$17.2 million (2025: HK\$33.9 million, 2024: HK\$51.1 million) and increase in operating cost.

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The Group's property investment portfolio comprises a total gross floor area ("GFA") of approximately 570,000 sq.m. (approximately 6,137,000 sq.ft.) in Mainland China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The Group's investment properties for leasing in Mainland China are primarily located in prime areas of Nanjing, Shenyang and Tianjin.

As at the Year end, approximately 69% of the total saleable areas of residential towers and serviced apartment of the Group's flagship property project namely "Central Square" were sold. Situated in a prime residential area in Shenyang, Central Square is expected to continue contributing to the Group's sales and rental performance in 2025 and onwards. This outlook is supported by a series of measures introduced by the central government to stimulate the real estate market, including reductions in down payment ratios, lower purchase thresholds for non local buyers, and reductions in existing mortgage rates, all aimed at restoring market confidence and supporting a stable and healthy property market. In 2026, both central and local governments continued to roll out additional supportive measures, such as lowering purchase costs, encouraging transaction volumes, supporting housing consumption, and stabilising market sentiment. Nevertheless, a full recovery of the real estate market will take time and sustained demand growth has yet to materialize.

Despite the challenging market environment, the Group maintained stable rental income from its investment properties. Rental income generated from this segment during the Year was HK\$169.8 million (2024: HK\$171.9 million), representing a marginal decrease of less than 1% compared with 2024.

### **Agriculture and Forestry**

Revenue of this segment remained stable at HK\$0.9 million during the Year (2024: HK\$0.9 million). This segment recorded an operating loss of HK\$18.5 million (2024: HK\$10.7 million), mainly reflecting higher operating expenses and the absence of growth of revenue.

### **MATERIAL ASSET IMPAIRMENTS**

For the year ended 31 December 2025, the Group recognised a net fair value loss on investment properties (including those under development and classified as held for sale) amounted to HK\$1,163 million (2024: HK\$81.9 million). The significant increase in fair value loss was primarily attributable to continued pressure on valuations of office and retail premises situated in Hong Kong and Mainland China.

In Hong Kong, the impairments were recognised in response to an ongoing correction in the office and retail property markets, characterized by declining capital values and weaker investor sentiment towards non-domestic assets. In Mainland China, the impairments were recorded on the majority of the Group's properties, reflecting the prevailing downward market trend across various cities. These trends were driven by subdued consumer confidence, the sustained dominance of e-commerce over traditional retail formats and broader structural changes within the retail sector.

## Chairman's Statement and Management Discussion and Analysis

The Group's investment properties were revalued on 31 December 2025 by independent professionally qualified valuers. Valuations were performed using the market comparison approach, consistent with the market practice. This method was adopted given the availability of relevant comparable sales transactions. Under this method, the properties are valued on the basis of sales in their existing state with vacant possession, referencing to comparable market evidence. Adjustments were made to account for differences in age, time of transaction, location, floor level and other relevant factors. Valuations were prepared on the assumption that properties would be sold in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements that could affect value.

There has been no change in the valuation methodology compared with the prior year. The decrease in fair values was consistent with declines in unit prices of comparable properties, reflecting recent market trends in the commercial and retail property sectors in Hong Kong and Mainland China.

For details of key inputs used in the valuation are disclosed in note 13 to the consolidated financial statements of the Company for the year ended 31 December 2025.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2025, the Group had a current ratio of 0.65 and a gearing ratio of 65% (31 December 2024: 0.93 and 60%, respectively). The gearing ratio is computed by dividing the Group's total bank borrowings of HK\$3,224.5 million by the Group's equity of HK\$4,945.6 million. The Group's operation and investments continued to be financed by internal resources and bank borrowings. The Group will closely monitor the liquidity risk and maintain a balance between continuity of funding and flexibility through the use of banking facilities.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to RMB and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and entering into forward contracts whenever appropriate.

### **CAPITAL STRUCTURE**

During the Year, there was no material change in the Group's capital structure.

## **SIGNIFICANT EVENTS DURING THE YEAR**

On 6 May 2025, South China Industries (China) Limited (“SCI China”) and Sino Pioneer International Limited (“Sino Pioneer”), both being indirect wholly-owned subsidiaries of the Company, as vendors entered into a sale and purchase agreement with Splendid Enterprises Limited (“Splendid Enterprises”), a company wholly-owned by Mr. Ng Hung Sang (“Mr. Ng”), the controlling shareholder of the Company, chairman of the board of directors and an executive director of the Company, as purchaser, pursuant to which SCI China and Sino Pioneer conditionally agreed to sell and Splendid Enterprises conditionally agreed to purchase the entire issued share in World Mastery Limited, Crosslight Limited and Chun Wing Company Limited (those companies retained certain properties in Tianjin), at total consideration of HK\$26,960,296. The consideration was settled by set-off against an amount due to a connected party which is indirectly wholly-owned by Mr. Ng Hung Sang at completion. This transaction was approved by independent shareholders at the extraordinary general meeting held on 17 June 2025. The gain resulted from the disposal of subsidiaries was approximately HK\$67,561,000, which have been recognised to the consolidated statement of profit or loss during the Year. Details of the disposal are set out in the Company’s announcements dated 6 May 2025, 7 May 2025, 27 May 2025 and 3 June 2025 respectively and the circular of the Company dated 10 June 2025.

On 24 December 2025, Everwin Toys (Dongguan) Company Limited (“Everwin Toys”), being an indirectly wholly-owned subsidiary of the Company as vendor and Dongguan City Yanyuan Supply Management Limited (“Yanyuan”) as purchaser entered into a sale and purchase agreement, pursuant to which Everwin Toys agreed to sell, and Yanyuan agreed to purchase, the land use right of and the plant building (including all erections and facilities thereof) erected on an area of approximately 200 mu situated at Xiekeng Management Zone and Erkeng Area of Xiekeng Village, Qingxi Town, Dongguan City, Guangdong Province, the PRC at the consideration of RMB290 million (equivalent to approximately HK\$318.7 million). On 24 December 2025, the Company obtained written shareholders’ approval from Mr. Ng Hung Sang, together with his associates, who are collectively holding 8,094,759,715 shares of the Company (representing approximately 61.23% of the issued share capital of the Company) for approving the aforesaid transaction in lieu of a resolution to be passed by the shareholders at a general meeting of the Company. Details of the disposal are set out in the Company’s announcements dated 24 December 2025, 5 January 2026 and 28 January 2026 respectively.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save as set forth in the section headed “Significant events during the Year” above, there was no other material acquisition and disposal of subsidiaries and associated companies of the Company during the Year.

# Chairman's Statement and Management Discussion and Analysis

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

During the Year, the Group had entered into new bank loan facilities under which certain investment properties of the Group were pledged with the banks.

During the Year, the pledge over an investment property under a bank loan facility granted to an indirectly wholly-owned subsidiary of the Company has been released and discharged.

An indirect wholly-owned subsidiary of the Company in China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB151.1 million (equivalent to approximately HK\$168.1 million) on behalf of independent purchasers of premises of the Central Square in relation to which the related premises ownership certificates had not been issued as at 31 December 2025. The said guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

Save as aforesaid, there was no other material change in the Group's pledge of assets and contingent liabilities during the Year.

## **EMPLOYEES**

As at 31 December 2025, the total number of employees of the Group was approximately 4,481 (2024: approximately 8,502). Employees' costs (including directors' emoluments) amounted to approximately HK\$741 million for the Year (2024: approximately HK\$848 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible with the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance. Employees may also be granted share options and share awards under the share option scheme(s) and the employee's share award scheme adopted by the Company. Details of the share option scheme(s) and the share award scheme are set out in notes 32 and 31(c) to the financial statements respectively.

## **PROSPECTS**

The global economic environment is expected to remain highly uncertain in 2026, weighed down by the continuation of US tariff policies, persistent geopolitical tensions, including the ongoing Russia-Ukraine conflict and instability in the Middle East — an uneven post-pandemic recoveries across major economies. These external factors will inevitably continue to affect the Group's overall business performance.

According to the World Economic Outlook published by International Monetary Fund, global economic growth is projected at 3.3% in 2026 and 3.2% in 2027. Growth in advanced economies is forecast at 1.8% in 2026 and 1.7% in 2027. In the United States, GDP is expected to expand by 2.4% in 2026 and 2.0% in 2027, supported by fiscal measures and a lower interest-rate environment, while the impact of elevated trade barriers is expected to gradually ease.

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In the United States, inflationary pressure remains persistent. After declining sharply in mid-2022, inflation stabilized around 3% in 2025 before easing to 2.4% in January 2026, prompting the Federal Reserve to signal a gradual pace of interest-rate reductions during 2026. Lower borrowing costs and reduced mortgage rates may stimulate consumer spending and investment, although these benefits may be partially offset by the broad-based tariff on imported goods, which could raise costs for households and import-reliant businesses.

Improving market sentiment in the United States is expected to create additional business opportunities for the Group's OEM toy production segment. The US Fiscal Year 2026 budget proposal places emphasis on reducing living costs for working families through tax cuts and enhanced tax refunds, alongside initiatives to support job creation and strengthen small businesses. These measures may help underpin consumer demand for discretionary goods, including toys.

In Mainland China, economic growth is projected at 4.5% in 2026 and 4.0% in 2027, supported by continued policy measures under 15th Five-Year Plan. Increased government expenditure on social policies as well as upward adjustments on minimum wages are expected to bolster domestic consumption. Recent improvements in retail sales and resilience in the service sector suggest stabilizing consumer confidence and a gradual recovery in spending willingness. However, housing prices continue to decline, and real estate investment remains subdued, posing ongoing challenges to broader economic momentum.

The central government is expected to maintain a supportive monetary stance, accelerate local government bond issuance to drive infrastructure investment, and continue prioritizing consumption, innovation and structural reforms in 2026.

With consumer price inflation remaining below 1% and producer prices gradually emerging from deflation, the People's Bank of China has room to keep monetary conditions accommodative. The Group expected policymakers to prioritize stability and support domestic demand through a combination of front-loaded fiscal spending and targeted consumption-boosting measures.

While 2026 presents significant external challenges, proactive policy responses from governments of Mainland China, Hong Kong and the United States (the Group's core markets) are expected to mitigate the impact of tariff-related disruptions and on-going geopolitical tensions. A gradual improvement in consumer confidence is anticipated, supported by easing inflation and accommodative monetary policies. The Group maintains cautiously optimistic about its long-term prospects and will continue to adopt an agile approach in navigating evolving geopolitical and economic conditions, positioning itself to capture emerging opportunities as market conditions stabilise.

# Chairman's Statement and Management Discussion and Analysis

## Trading and Manufacturing

### **OEM toys production**

The OEM manufacturing sector is expected to continue operating in a challenging and complex global environment in 2026. Elevated interest rates, persistent geopolitical tensions, and evolving trade and tariff policies are shaping buyer behaviour and production planning across the industry. Demand from major export markets, particularly the United States and Europe, remains highly sensitive to consumer sentiment, retail inventory levels, and the financial health of downstream distributors. Buyers are expected to maintain conservative ordering patterns, shorter order cycles, and tighter cost control measures, which will continue to affect visibility and production planning for manufacturers (including the Group).

#### *Key market drivers affecting the segment*

- (i) **Tariffs and Sourcing Diversification** — Although Mainland China remains the world's largest production base for toys and consumer goods, international buyers are increasingly adopting a "China+1" sourcing strategy to optimize supply chain resilience and mitigate tariff exposure and geopolitical risks. This trend is expected to persist, influencing factory utilisation rates, capital allocation decisions, and the geographic distribution of future production. The Group anticipates that sourcing diversification will continue to reshape order flows and require greater flexibility in production deployment.
- (ii) **Cost Pressure** — Labour, logistics, and financing costs remain elevated across the manufacturing sector. At the same time, buyers continue to resist price adjustments and, in many cases, exert downward pressure on unit prices. This imbalance has resulted in margin compression, and certain production lines have recorded negative profitability. In addition, the appreciation of RMB imposed further cost pressure. The Group expects cost pressure to remain a key challenge in 2026, particularly as global inflation stabilises at levels above pre-pandemic norms.
- (iii) **Supply Chain Adjustments** — Geopolitical disruptions and volatility in global shipping routes have increased the complexity and cost of procurement and logistics planning. Manufacturers are required to maintain greater operational flexibility, diversify suppliers, and adjust inventory strategies to mitigate delays and cost fluctuations. These adjustments, while necessary, add to the overall cost burden of OEM operations.

#### *Impact on the Group and strategic response*

Under these market conditions, the Group's OEM manufacturing revenue has been significantly affected, particularly due to reduced order volumes, shorter lead times, and intensified price competition. In response, the Group has undertaken a series of measures since the second half of 2025 to strengthen operational resilience and maintain long term sustainability, aimed at aligning cost structures with current market demand while preserving the ability to scale up efficiently when market conditions improve. These measures include:

- (i) Restructuring of manpower to align staffing levels with current production needs;

## Chairman's Statement and Management Discussion and Analysis

- (ii) Consolidation of production lines to improve efficiency and reduce fixed overheads;
- (iii) Re-engineering of operational processes to enhance productivity and cost control; and
- (iv) Active negotiations with buyers to recalibrate ordering schedules and pricing strategies to secure more stable and sustainable margins.

Restructuring of manpower and consolidation of production lines will improve capabilities in encountering reduction in sales orders and increasingly cost pressures in short term and improve our effectiveness and efficiency in long run.

Despite these efforts, margin pressure remains substantial, driven by lower selling prices offered by buyers and higher material input and financing costs. The Group will continue to prioritise operational optimisation, cost discipline, and strategic customer engagement to navigate the challenging environment.

Looking ahead, the Group remains cautiously optimistic that gradual improvements in global consumer sentiment, supported by easing inflation, accommodative monetary policies, and stabilising retail inventories, may lead to a more favourable demand environment. However, the Group recognises that the OEM manufacturing landscape will remain highly competitive and will continue to adapt its production strategy, cost structure, and customer mix to capture opportunities as they arise.

### **Trading of footwear products**

Consistent with its long-standing strategy, the Group will continue to place orders with different plants endorsed by its customers across various countries, enabling it to balance production costs and optimize profit margins. To capture additional business opportunities, the Group has diversified its product offerings to include athletic footwear and apparels for its existing customers beginning in 2026. Meanwhile, the Group will continue to explore new business opportunities in this segment with the objective of maximizing returns and strengthening long-term competitiveness.

## **Property Investment and Development**

### **Property Investment**

The Mainland China property market continues to undergo structural adjustment, with residential demand remaining uneven across regions. First tier and selected second tier cities continue to demonstrate relatively stronger performance, while lower tier cities face slower absorption and weaker sentiment. In the commercial sector, leasing demand varies by asset class: retail properties benefit from improving domestic consumption, office properties face pressure from corporate consolidation and new supply, while industrial and logistics assets remain resilient due to sustained e commerce and supply chain demand.

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Against this backdrop, the Group will continue to enhance the performance of its property investment portfolio in Mainland China and Hong Kong through active tenant mix optimisation, facility upgrades, and the introduction of experiential retail concepts. At the Group's flagship retail property, Avenue of Stars in Shenyang, management keeps refining the tenant composition by introducing additional experiential offerings and upgrading facilities to attract fashion and family oriented retailers. These initiatives aim to strengthen the mall's appeal to young couples and families, thereby improving foot traffic and rental performance.

At Central Square (another flagship mixed-use property in Shenyang), the retail podium has recently broadened its tenant mix by leasing part of its space to boutique hotel operators, complemented by a diverse range of experiential and service based tenants, including food and beverage outlets, banking services, hair salons, convenience stores, and pet related services. This diversified ecosystem is expected to create stronger synergies among tenants and enhance the overall attractiveness of the development.

In early 2026, the central government of Mainland China significantly expanded its visa free policy to include more than 50 countries for stays of up to 30 days. This favourable policy is expected to attract more international visitors, providing a positive boost to the retail sector and reinforcing leasing demand. The Group anticipates that these developments will help broaden the customer base and generate incremental rental income across its investment properties.

In Hong Kong, overall visitors arrivals continued to recover, while outbound travel by local residents remained high, leading to an outflow of domestic retail activity. To address these dynamics, the Group is continually refining and strengthening its tenant mix to improve the rental performance of retail shops. The office market continues to face challenges from oversupply, however, the Hong Kong government has introduced supportive measures to stabilize conditions, including a pause on a new commercial land site releases, which is helping to ease inventory pressure. In addition, strong financial market activities including IPO listings and various talent schemes aimed at attracting professionals from Mainland China and overseas are expected to stimulate economic activity and support business expansion, leading to a more constructive outlook for office demand.

Recurring rental income from both Mainland China and Hong Kong is expected to remain a stable contributor to the Group's results.

### **Property Development**

The Mainland China real estate market is expected to remain in an adjustment phase in 2026, marked by gradual demand recovery and evolving policy support. Central and local governments have continued to introduce favourable measures aimed at reducing purchase costs, stimulating residential property transactions, supporting reasonable housing demand, and stabilising market sentiment. These policies are intended to restore confidence, support price recovery in first tier cities, and accelerate inventory reduction in second to fourth tier cities. While recovery is expected to be gradual, policy direction remains supportive.

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The Group remains cautiously optimistic about the sales performance of the residential units at Central Square, given its prime location in one of Shenyang's most desirable residential districts. The development benefits from direct access to (i) its retail podium, (ii) the subway network, and (iii) a vibrant pedestrian street lined with restaurants and retail stores, all of which enhance its appeal to prospective buyers.

In Nanjing, the local authority and the Group have been in discussions regarding possible buy back arrangements of certain land parcels at compensation levels referenced to prevailing market values, as well as administrative support for exploring optimal and sustainable redevelopment plans, including infrastructure upgrades and revitalisation of underutilised land parcels. Such initiatives, if materialised, are expected to substantially enhance the value of the Group's land resources. Given that the Group's land banks in Nanjing were acquired at relatively low costs in earlier years, any realisation of these non core land assets is expected to generate positive financial contributions while enabling the Group to redeploy capital more efficiently.

Looking ahead, the Group will continue to study the conversion of certain industrial land bank assets to commercial use and solution of resolving low-efficiency land sites in Mainland China, with the objective of increasing land value and enhancing development returns. In addition, the central government has announced a number of development projects that may create new opportunities for the Group's land bank assets. The Group will continue to revisit business plans for land parcels located within these development zones and adopt a proactive approach in response to evolving planning progress. The Group will also continue to explore potential acquisition and disposal opportunities to optimise its land bank portfolio and maximise shareholders' interests.

### **Agriculture and Forestry**

The agriculture and forestry sector in Mainland China continues to be shaped by national policies promoting rural revitalisation, ecological conservation, and sustainable land use. Demand for agricultural products remains stable, supported by resilient domestic consumption and food security priorities. Forestry resources benefit from long term government support for carbon sequestration, environmental protection, and biodiversity initiatives. The Group currently holds long-term leases covering over 290,000 mu (approximately 193 million sq.m.) of woodland, farmland, fishponds, and lake spaces across major provinces in Mainland China. These land resources are primarily used for cultivating fruits and crops such as apples, winter dates, peaches, pears, and corn as well as sub-leasing of some farmland to third-party operators for maximizing the utilization and returns. Looking ahead, the Group will continue to explore opportunities to cultivate high-margin agricultural species, while prioritizing improvements in harvest yields, sales and distribution channels, resource utilization, and cost control to improve the operational performance of this segment. In addition, the Group will actively pursue opportunities to generate higher returns through the conversion of agricultural land usage, and will seek strategic cooperation with other agricultural operators to strengthen its market position, operational efficiency and unlock the long-term value of its agricultural land portfolio.

# Chairman's Statement and Management Discussion and Analysis

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The following section lists out the key risks and uncertainties facing by the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

### **Risks relating to Trading and Manufacturing**

#### ***Macroeconomic environment***

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to their consumers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in decrease in consumers' disposable income and lower consumption confidence. These factors would adversely affect orders from our customers.

#### ***Cost increase***

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland China or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability lawsuits or product recalls, which could harm its business.

### **Risks relating to Property Investment and Development**

#### ***Risks associated with the property market in Mainland China***

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with Mainland China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change, demand-supply imbalance, and the overall economic conditions, which pose adverse impact on the Group's business, financial condition or results of operations.

#### ***Risks associated with the property market in Hong Kong***

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions would affect the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

## Risks relating to Agriculture and Forestry

### *Risk associated with natural disasters or adverse weather conditions*

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

## UPDATE ON LITIGATION PROCEEDINGS

### (i) Against Nanjing Skytech Co., Limited and Others

#### *Case on infringement of copyrights*

Reference is made to the relevant sections of the annual report of the Company for the year of 2024 (the "Annual Report") regarding the litigation in the PRC concerning infringement of copyrights of certain pieces of computer software that belong to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("South China Skytech").

The latest development in the legal proceedings is that several hearings were held before the Supreme People's Court of China (the "Supreme Court") from November 2024 to September 2025, following an appeal lodged by South China Skytech against the judgment of the Jiangsu High Court, under which the ownership of 3 out of the 31 disputed computer software programs was held to vest in South China Skytech, rather than all 31 as originally claimed. The outcome of the appeal remains uncertain. Even if the Supreme Court were to rule in favour of South China Skytech, the defendant may still have the right to seek retrial by filing an application with the Supreme Court.

Given the significant downturn in the Group's business performance during the Year, the Group recorded a loss of approximately HK\$1,463.8 million, the Company's management has resolved to prioritise the allocation of its financial and human resources towards restructuring and strengthening the Group's operations to support long term sustainability. In light of the substantial shareholder's assumption of litigation related costs and the inherent uncertainty and time consuming nature of the proceedings, the Company considers it appropriate to focus its resources on stabilising and improving the Group's core business operations.

## Chairman's Statement and Management Discussion and Analysis

In February 2026, Mr. Ng Hung Sang (“Mr. Ng”), the controlling shareholder and an executive director of the Company, acquired the entire issued share capital of the holding company of South China Skytech through his wholly owned subsidiary, as a result of which South China Skytech became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the litigation process.

### **Case on liability dispute related to damaging the interests of the Company**

Reference is made to the relevant sections of the Annual Report in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech Co., Limited (南京擎天科技有限公司), Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (collectively, the “Defendants”) who had breached the non-competition obligation under China’s Company Law and were liable to make certain payments to South China Skytech. The latest development in the legal proceedings is that a final judgment was handed down by the Jiangsu High Court in October 2024, under which the Defendants were ordered to pay damages of approximately RMB28 million to South China Skytech. Subsequently, the Defendants applied to the People’s Procuratorate of Jiangsu Province for supervisory review. If the application were upheld, the case would be subject to retrial, the outcome of which would be uncertain.

For the same reasons as those set out in the above mentioned copyright infringement case, and following the disposal of the holding company of South China Skytech to Mr. Ng, Mr. Ng has undertaken, upon completion of the acquisition, to (i) assume responsibility for all costs and expenses arising from the litigation process; and (ii) in the event that the ultimate judgment is favourable to South China Skytech, unconditionally pay to the Company the adjudged amount of damages upon receipt of such amount from the Defendants.

### **(ii) Case on infringement of land situated at Tianjin Binhai**

Reference is made to the relevant sections of the Annual Report in relation to the legal proceedings commenced by World Right Investments Limited (環威投資有限公司) (“World Right”) against Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) (“Binhai Group”) and Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司) for (i) discharge of a joint development agreement entered into between World Right and Binhai Group and (ii) compensation for losses.

For the same reasons as those set out in paragraph hereinabove, in February 2026, Mr. Ng acquired the entire issued share capital of the holding company of World Right through his wholly owned subsidiary, as a result of which World Right became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the litigation process.

### **(iii) Case on arbitration related to Nansha land**

Reference is made to the relevant sections of the Annual Report in relation to the withdrawal of the arbitration application by Brightson Investments Limited (“Brightson”) as applicant in April 2024 while exploring other legal action(s) thereafter to safeguard the interests of the Group as a whole.

For the same reasons as those set out in paragraph hereinabove, in March 2026, Mr. Ng acquired the entire issued share capital of the holding company of Brightson through his wholly owned subsidiary, as a result of which Brightson became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the arbitration or litigation process.

Given the aforesaid, as at the Latest Practicable Date, so far as the Directors are aware, none of the member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

## **ENVIRONMENTAL POLICIES**

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our PRC establishments to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

## **RELATIONSHIPS WITH KEY STAKEHOLDERS**

### **Employees**

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

# Chairman's Statement and Management Discussion and Analysis

## Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

## Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/merchandise and other business partners which provide value-added services to the Group.

## Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

## APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

**Ng Hung Sang**  
Chairman

Hong Kong, 25 March 2026

# Directors' Biographical Details

## EXECUTIVE DIRECTOR

**Mr. Ng Hung Sang**, aged 76, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 00619). He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 24 June 1992. He is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company and Mr. Ng Yuk Yeung Paul, an Executive Director, the Executive Vice Chairman and the Co-Chief Executive Officer of the Company. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Ms. Cheung Choi Ngor**, aged 72, is an Executive Director, the Vice Chairman, the Co-Chief Executive Officer and a member of the Executive Committee of the Company. She is also an executive director and a vice chairman of South China Financial Holdings Limited, being listed on the Main Board of the Stock Exchange (stock code: 00619). She also holds several directorships in certain subsidiaries of the Group. She holds a Master's degree in Business Administration from University of Illinois in the United States of America. She was a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 24 June 1992. She was re-designated as the Co-Chief Executive Officer of the Company with effect from 16 May 2018. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr. Ng Yuk Yeung Paul**, aged 44, is an Executive Director, the Executive Vice Chairman, the Co-Chief Executive Officer and a member of the Executive Committee of the Company. Mr. Paul Ng has been appointed as an executive director of South China Financial Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 00619) since 1 February 2023. He has also been appointed as an independent non-executive director of China Rongzhong Financial Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 03963) since 28 April 2023. He also holds several directorships in certain subsidiaries of the Group. He graduated in Law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of the 13th and 14th National Committee of the Chinese People's Political Consultative Conference and is a standing member of the 11th, 12th and 13th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has extensive experience in the financial services, property development, OEM toys manufacturing, tourism and media businesses. He was appointed as a Director of the Company on 1 January 2016. He was appointed as the Co-Chief Executive Officer of the Company with effect from 16 May 2018. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

## Directors' Biographical Details

### NON-EXECUTIVE DIRECTOR

**Ms. Ng Yuk Mui Jessica**, aged 47, is a Non-executive Director of the Company. She is also an executive director, an executive vice chairman and the chief executive officer of South China Financial Holdings Limited (stock code: 00619) which being listed on the Main Board of the Stock Exchange. She is also the executive vice chairman of South China Media Limited. She resigned as a non-executive director of i-CABLE Communications Limited (stock code: 01097) with effect from 5 February 2026. She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of the 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference and a standing committee member of the 13th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as an Executive Director of the Company on 17 June 2002 and re-designated as a Non-executive Director of the Company with effect from 1 July 2005. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, an Executive Director, the Executive Vice Chairman and the Co-Chief Executive Officer of the Company.

**Mr. Yu Pui Hang**, aged 46, is a Non-executive Director of the Company. He is the founder and principal partner of L & Y Law Office and Henry Yu & Associates. Mr. Yu's areas of expertise include blockchain, commercial law, corporate and commercial transactions and foreign and cross-border investments, and he has been a qualified Certified Financial Technologist (CFT). Prior to that the foregoing, Mr. Yu was appointed as an executive director and deputy head of legal counsel of ICBC International Holdings Limited, which is the investment banking arm of Industrial and Commercial Bank of China Limited, the H shares of which being listed on the Stock Exchange (stock code: 01398), one of the largest banks in the world. Mr. Yu is also a member of the Innotech Committee (formerly known the Technology Committee) of the Law Society of Hong Kong, and has also been appointed as the Hon. Legal Advisor to the Hong Kong Federation Invention and Innovation, Hon. Legal Advisor to the Hong Kong International Blockchain & Financial Association, Hon. Legal Advisor to the Institute of Financial Technologies of Asia, Hon. Legal Advisor to the Bitcoin Association of Hong Kong and Hon. Legal Advisor to the Hong Kong International Family Office Association. Mr. Yu has also been appointed as an Executive Principal of China Commercial Blockchain Legal Institute and the committee member of TechFin (GHM Greater Bay Area) Association. Mr. Yu was awarded the "China Commercial 2019 Outstanding Contribution Award". In addition, Mr. Yu has been appointed as an independent non-executive director of Amuse Group Holding Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 08545) since May 2018. Mr. Yu obtained a degree of Bachelor of Laws from King's College London of the University of London in the United Kingdom in 2001. He was appointed as a Director of the Company on 17 January 2023.

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. Kam Yiu Shing Tony**, aged 64, is an Independent Non-executive Director of the Company, was appointed as the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company in December 2017 and April 2019 respectively. He has been qualified as an accountant since 1989 and admitted as a certified public accountant (practicing) since 1993. He holds a master's degree in business and administration from Monash University, Australia. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong, and at the same time registered as a Certified Tax Adviser. He was the President of the Society of Chinese Accountants and Auditors in 2016. He was appointed as a Director of the Company on 1 November 2017.

**Ms. Pong Scarlett Oi Lan, BBS, J.P.**, aged 66, is an Independent Non-executive Director, the chairman of the Remuneration and Nomination Committee and the member of the Audit Committee of the Company. Ms. Pong is the Chairman of Health Quotient HQ International Institute Limited and the Immediate Past President of The Pharmaceutical Society of Hong Kong. She is an appointed District Councilor and currently, the Advisor of Our Hong Kong Foundation. Ms. Pong served as an independent non-executive director of Kimou Environmental Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 06805), since November 2024. She also actively serves the public sector and is currently the Visiting Associate Professor at Hong Kong Nang Yan College of Higher Education, and Advisor of Hong Kong Federation of Handicapped Youth and Christian New Life Association Limited (charitable organizations). She is currently an Honorary Patron of Hong Kong Seeing Eye Dog Services. In addition, she was a member of the Building Committee under the Hong Kong Housing Authority and a member of the Committee on Promotion of Organ Donation. She is also the Board of Trustees for New Era Trust. She is a member of the Steering Committee on Prevention and Control of Non-communicable diseases under the Food and Health Bureau, and was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the President of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She holds a Master of Arts from Macquarie University in Australia in 2018. She has been appointed as an appointed member of the seventh-term Sha Tin District Council (2024–2027) by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") in December 2023. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007–2012). She received awards of the Ten Outstanding Young Persons' Selection in 1998, the Hundred Outstanding Women Entrepreneur in China in 2007, was appointed as a Justice of the Peace (J.P.) by the Hong Kong Government in July 2010 and received an award of Bronze Bauhinia Star in 2016. She also received awards of Pioneers in Healthy Cities, Alliance for Healthy Cities, Western Pacific Region. She is currently appointed by the Hong Kong Government as the chairman of the Health Promoting School Advisory Committee. She was appointed as a Director of the Company on 15 September 2020.

## Directors' Biographical Details

**Mr. Wong Chun Tat, J.P.**, aged 45, is an Independent Non-executive Director, the members of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is also the executive director of Hong Thai Enterprises Company Limited and Hong Thai Expo & Business Centre and a general manager of Sun Sum Hong Thai Travel Limited. He is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region, and a member of the Community Involvement, Culture and Recreation Committee & Development Planning Committee of Southern District Council. He is also the chairman of The Y. Elites Association, a standing committee member of The Chinese Chamber of Commerce, Hong Kong and the chairman of the Youth Executives' Committee of The Chinese Chamber of Commerce, Hong Kong. Mr. Wong is a member of Chongqing Committee of the Chinese People's Political Consultative Conference (the 5th and 6th session) and a member of the 13th and 14th Committee of the All-China Youth Federation. Between 2017 and 2018, Mr. Wong was a member of Consultation Panel for West Kowloon Cultural District Authority. Mr. Wong holds a Bachelor's degree of Arts in Tourism Management and a Master's degree of Professional Accounting from The Hong Kong Polytechnic University respectively. In addition, Mr. Wong has been appointed as an independent non-executive director of S.A.I. Leisure Group Company Limited, a company whose shares are listed on the Main board of the Stock Exchange (stock code: 01832) since 16 December 2022. He was appointed as a Director of the Company on 15 February 2022.

# Directors' Report

The directors (the “Directors”) of South China Holdings Company Limited (the “Company”) are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 (the “Year”).

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the trading and manufacturing of toys, shoes, property investment and development, agriculture as well as forestry. The principal activities of the principal subsidiaries are shown in note 44 to the financial statements.

## BUSINESS REVIEW

A fair review of the business of the Group during the Year, a discussion and analysis of these activities as required by Schedule 5 to Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business, are provided in the section headed “Chairman’s Statement and Management Discussion and Analysis” on pages 3 to 18 of this annual report. These discussions form part of this Directors’ Report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the “Board”) has overall responsibility for the Group’s environmental, social and governance (“ESG”) strategy and reporting. The Board is responsible for the Group’s ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group’s environmental policies and performance are contained in the ESG Report on pages 59 to 85 of this annual report.

## RESULTS

The results of the Group for the Year and the financial position of the Group at that date are set out in the financial statements on pages 92 to 209 of this annual report.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the Year: Nil (2024: HK\$68,000).

## DISTRIBUTABLE RESERVES

At 31 December 2025, the Company had reserves available for distribution to the Shareholders amounted to HK\$696,646,000 (2024: HK\$762,153,000).

## Directors' Report

### SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on pages 210 of this annual report.

### SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

In addition to the below mentioned transactions, details of movements in the ordinary shares, share options, share awards and redeemable convertible preference shares of the Company during the Year are set out in notes 31 and 32 to the financial statements. Save as the issued 109,975,631 redeemable convertible preference shares (the "CPSs"), if fully converted, 219,951,262 ordinary shares will be issuable with proceeds receivable of HK\$87.98 million, details are disclosed in note 31 to the financial statements and the share options in the section headed "Share Option Scheme" below, there was no other equity-linked agreement subsisting at the end of the year nor entered into by the Company during the Year.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the Year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	23.1%	N/A
Five largest customers in aggregate	62.0%	N/A
The largest supplier	N/A	13.1%
Five largest suppliers in aggregate	N/A	22.2%

None of the Directors or any of their associates or any shareholders of the Company (which, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the major customers and suppliers noted above.

### **DIRECTORS**

The Directors during the Year and up to the date of this annual report are:

#### **Executive Directors**

Mr. Ng Hung Sang (Chairman)

Ms. Cheung Choi Ngor (Vice Chairman and Co-Chief Executive Officer)

Mr. Ng Yuk Yeung Paul (Executive Vice Chairman and Co-Chief Executive Officer)

#### **Non-executive Directors**

Ms. Ng Yuk Mui Jessica

Mr. Yu Pui Hang

#### **Independent Non-executive Directors**

Mr. Kam Yiu Shing Tony

Ms. Pong Scarlett Oi Lan, BBS, J.P.

Mr. Wong Chun Tat, J.P.

The biographical details of the Directors are set out in the section headed "Directors' Biographical Details" on pages 19 to 22 of this annual report.

In accordance with Article 116 of the Articles, Mr. Yu Pui Hang, Mr. Kam Yiu Shing Tony and Ms. Pong Scarlett Oi Lan, BBS, J.P. will retire from office by retirement and rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM"). Mr. Yu Pui Hang, Mr. Kam Yiu Shing Tony and Ms. Pong Scarlett Oi Lan, BBS, J.P., being eligible offer themselves for re-election at the AGM. Save as disclosed, all other remaining Directors continue in office.

### **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). The Board is of the view that all Independent Non-executive Directors are independent during their servicing period.

### **DIRECTORS' SERVICE CONTRACTS**

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

## Directors' Report

### DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

Details of the remuneration of the Directors for the Year are set out in note 8 to the financial statements.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, 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 of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

#### Long positions in ordinary shares of the Company

Name of Director(s)	Number of Shares held				Approximate percentage of shareholding to total issued Shares (Note 2)
	Personal interests (Note 1)	Family interests	Corporate interests	Total number of Shares held	
Mr. Ng Hung Sang ("Mr. Ng")	652,816,324	613,214,065 (Note 3)	6,828,729,326 (Note 4)	8,094,759,715	61.23%
Ms. Cheung Choi Ngor ("Ms. Cheung")	41,000,000	–	–	41,000,000	0.31%
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	831,989,238	–	–	831,989,238	6.29%
Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng")	170,700,000	–	–	170,700,000	1.29%

### Long positions in ordinary shares of associated corporation

Name	Name of associated corporation	Number of ordinary shares held by controlled corporation	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ng	Prime Prospects Limited (“Prime Prospects”) (Note 5)	30	30%

Notes:

- The shares are registered under the names of the directors who are the beneficial shareholders.
- These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 31 December 2025.
- The spouse of Mr. Ng is the beneficial shareholder.
- 6,828,729,326 shares of the Company held by Mr. Ng through controlled corporations included 2,124,792,202 shares held by Fung Shing Group Limited (“Fung Shing”), 2,020,984,246 shares held by Parkfield Holdings Limited (“Parkfield”), 89,410,210 shares held by Ronastar Investments Limited (“Ronastar”), 1,075,765,537 shares held by Earntrade Investments Limited (“Earntrade”), 1,273,122,098 shares held by Bannock Investment Limited (“Bannock”), 212,405,565 shares held by Crystal Hub Limited (“Crystal Hub”) and 32,249,468 shares held by Green Orient Investments Limited (“Green Orient”). Fung Shing, Parkfield and Ronastar all are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. Crystal Hub is a direct wholly-owned subsidiary of South China Assets Holdings Limited (“SCAH”), which, in turn, is 64.92% beneficially owned by Mr. Ng. Green Orient is an indirect wholly-owned subsidiary of the Company. As such, Mr. Ng was deemed to have interest in the said 212,405,565 shares held by Crystal Hub, 32,249,468 shares held by Green Orient and the 2,617,829,018 shares held by Bannock and Earntrade.
- Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code, at 31 December 2025.

## Directors' Report

### SHARE OPTION SCHEMES

#### 2012 Share Option Scheme

The Company adopted a share option scheme in June 2012 (the “2012 Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group’s operations, and retaining such participants for their continuing support to the Group. The share options granted under the above scheme are unlisted. The 2012 Share Option Scheme expired on 11 June 2022. The options could be exercised by the participants at any time during the option exercisable period and notwithstanding that the 2012 Share Option Scheme had expired. Further details of the 2012 Share Option Scheme are disclosed in note 32 to the financial statements.

The movements in the number of share options under the 2012 Share Option Scheme during the Year are as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Number of shares issuable upon the exercise of share options	Exercise price per share HK\$
	Outstanding as at 1 January 2025	Granted/ Exercised/ Lapsed during the year	Outstanding as at 31 December 2025				
<b>Employees</b>							
In aggregate	3,666,668	(3,666,668)	0	10/07/2015	10/07/2016–09/07/2025	0	0.51
	3,666,666	(3,666,666)	0	10/07/2015	10/07/2017–09/07/2025	0	0.51
	3,666,666	(3,666,666)	0	10/07/2015	10/07/2018–09/07/2025	0	0.51
<b>Total</b>	<b>11,000,000</b>	<b>(11,000,000)</b>	<b>0</b>			<b>0</b>	

Notes:

- All share options granted are subject to a vesting period and exercisable in the following manner:

#### From the date of grant of share options

Within 12 months  
13th month–24th month  
25th month–36th month  
37th month–120th month

#### Exercisable percentage

Nil  
not more than 33  $\frac{1}{3}$ %  
not more than 66  $\frac{2}{3}$ %  
100%

- The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alternation in the capital structure of the Company.

### 2023 Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting held on 20 June 2023 (the "2023 Share Option Scheme"), which has a term of ten (10) years and will expire on 20 June 2033.

The purpose of the 2023 Share Option Scheme is to provide incentive or rewards to the employees, directors and other eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the 2023 Share Option Scheme is 1,322,130,217 Shares, representing approximately 10% of the total number of Shares in issue as at 20 June 2023 (being the date of the extraordinary general meeting approving the 2023 Share Option Scheme).

The maximum number of shares issuable under the share options to each eligible participant in the 2023 Share Option Scheme within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting. The exercise period of the share options granted is determinable by the directors, save that the period commences on the date of which the offer is made and ends on a date which is not later than ten (10) years from the date of grant of the share options subject to any provisions of the 2023 Share Option Scheme determining the rights of the grantees. The offer of a grant of share option may be accepted within twenty-eight (28) days from the date of grant, upon payment of a consideration of HK\$1.00 by the grantee.

The exercise price per Share in relation to an option under the 2023 Share Option Scheme shall be a price to be determined by the Directors but must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five(5) business days immediately preceding the date of grant.

The number of options available for grant under the scheme mandate limit and the service provider sublimit under the 2023 Share Option Scheme are 1,322,130,217 and 132,213,021 respectively at the date of adoption of the 2023 Share Option Scheme and the end of the Year.

No option has been granted, cancelled, outstanding, exercised or lapsed under the 2023 Share Option Scheme during the Year.

The number of shares that may be issued in respect of options granted under the 2012 Share Option Scheme and 2023 Share Option Scheme during the Year representing 0% of the weighted average number of Shares for the Year.

Further details of the 2023 Share Option Scheme are disclosed in note 32 to the financial statements.

## Directors' Report

### EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employees' share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK\$60 million for the purchase of shares in the Company from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

The following information in relation to the Share Award Scheme pursuant to Rule 17.09 of the Listing Rules:

- |   |   |  |
|---|---|--|
| Purpose of the Share Award Scheme   | : | (1) to selected employees in recognition of their contributions to the Group;<br>(2) as incentive to retain the selected employees for supporting the operations and on-going development of the Group; and<br>(3) to attract suitable personnel for further development of the Group. |
| Participants of Share Award Scheme  | : | The Board may, from time to time, select any employee of the Group for participation in the Share Award Scheme   |
| Total number of Shares available for issue under the Share Award Scheme       | : | As at the date of this annual report, the number of Shares available for grant was 206,160,593 (representing approximately 1.56% of the issued share capital as at the date of this annual report).  |
| Maximum entitlement of each selected participant under the Share Award Scheme | : | No maximum entitlement of each selected participant was set.   |
| Exercisable period under the Share Award Scheme                               | : | No exercise period for awarded shares was set.   |
| Vesting period of the Share Award Scheme                                      | : | The vesting period of the share awards shall be determined by the Board at the time of grant of such share awards.   |

In respect of a Selected Employee who died or retired at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company at any time prior to a vesting date, all the awarded shares and all income derived from a share of the Selected Employee shall be deemed to be vested on the date immediately prior to his/her death or retirement at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company.

- Acceptance price : No amount is payable on acceptance of the grant of a share award under the Share Award Scheme.
- Basis of determining the purchase price of shares awarded : The purchase price of each awarded share shall be determined by the Board at the time of grant of the share awards under the Share Award Scheme.
- Remaining life of the Share Award Scheme : Subject to early termination of the Share Award Scheme pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of fifteen (15) years commencing on 18 March 2011 (the adoption date of the Share Award Scheme). The remaining life of the Share Award Scheme shall be approximately two (2) years.
- Voting rights of unvested shares of the Share Award Scheme : The trustee shall not exercise the voting rights in respect of any shares held under the trust constituted by the trust deed dated 18 March 2011 entered into between the Company and the trustee.

Further details of the Share Award Scheme are set out in note 31(c) to the financial statements.

No movements in the number of awarded shares in the Company during the years ended 31 December 2025 and 2024.

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	<b>2025</b>		<b>2024</b>	
	<b>Value</b> HK\$'000	<b>Number of</b> <b>Shares held</b>	<b>Value</b> HK\$'000	<b>Number of</b> <b>Shares held</b>
At 1 January and 31 December	61,075	206,160,593	61,075	206,160,593

During the Year, there was no share (2024: Nil) of the Share Award Scheme of the Company was transferred to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was Nil (2024: Nil).

The number of awarded shares that may be granted under the Share Award Scheme during the Year representing 0% of the weighted average number of Shares for the Year.

## Directors' Report

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Share Option Schemes" above, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

### **RETIREMENT SCHEMES**

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 2.4(y)(i) to the financial statements.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Details of the transactions during the Year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the sections headed "Connected Transactions" and "Related Party Transactions" of this annual report and related party transactions as disclosed in note 38 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end or at any time during the Year.

### **MANAGEMENT CONTRACT**

The Company did not enter into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the Year.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, the interests and short positions of every persons, other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name	Number of Shares held			Total number of Shares held	Approximate percentage of shareholding to total issued Shares (Note 1)
	Beneficial interests	Family interests	Corporate interests		
Earntrade	1,075,765,537	–	1,273,122,098 (Note 2)	2,348,887,635	17.77%
Bannock	1,273,122,098 (Note 2)	–	–	1,273,122,098	9.63%
Fung Shing	2,124,792,202	–	–	2,124,792,202	16.07%
Parkfield	2,020,984,246	–	–	2,020,984,246	15.29%
Ms. Ng Lai King Pamela ("Ms. Ng")	613,214,065	7,481,545,650 (Note 3)	–	8,094,759,715	61.23%

Notes:

1. These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 31 December 2025.
2. Bannock is a wholly-owned subsidiary of Earntrade. 2,348,887,635 shares of the Company held by Earntrade included 1,273,122,098 shares held by Bannock directly.
3. Ms. Ng, who held 613,214,065 shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director. By virtue of the SFO, Ms. Ng was deemed to be interested in the 7,481,545,650 shares (including 652,816,324 shares and 6,828,729,326 shares held by Mr. Ng directly and indirectly through controlled corporations respectively), as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the foregoing, as at 31 December 2025, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## Directors' Report

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, according to the Listing Rules, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Businesses which are considered to compete or likely to complete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Ng	South China Assets Holdings Limited <sup>(Note)</sup>	Property investment and development	Director
Ms. Cheung	South China Assets Holdings Limited <sup>(Note)</sup>	Property investment and development	Director
Mr. Paul Ng	South China Assets Holdings Limited <sup>(Note)</sup>	Property investment and development	Director
Ms. Jessica Ng	South China Assets Holdings Limited <sup>(Note)</sup>	Property investment and development	Director

Note:

South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022.

The Group mainly focuses on the medium to large scale property investment and development projects while South China Assets Holdings Limited seeks to undertake property development projects in smaller size and diversifies into the financial services businesses.

The Board comprises eight (8) Directors, including three (3) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors. In the circumstances where the common directors are required to abstain from voting due to potential conflicts of interest, the non-common Director(s) including independent non-executive Directors will make their business judgment for the decision making process of the Board (if necessary).

### INDEMNITY OF DIRECTORS

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

### CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information in the directors' information since the publication of the Company's last published interim report is set out below:

Ms. Ng Yuk Mui Jessica, a non-executive Director resigned as a non-executive director of i-CABLE Communications Limited (stock code: 01097) with effect from 5 February 2026.

### MAJOR TRANSACTION

On 24 December 2025, 長榮玩具(東莞)有限公司 (Everwin Toys (Dongguan) Limited) (an indirect wholly-owned subsidiary of the Company) as the vendor, entered into a sale and purchase agreement with 東莞市雁源供應鏈管理有限公司 (Dongguan City Yanyuan Supply Management Limited) as the purchaser, to dispose the land use right of a plot of industrial use with an area of approximately 200 mu situated at 中國廣東省東莞市清溪鎮謝坑管理區及謝坑村二坑地段 (Xiekeng Management Zone and Erkeng Area of Xiekeng Village, Qingxi Town, Dongguan City, Guangdong Province, the People's Republic of China), and the plant building (including all erections and facilities thereof) for the aggregate consideration of RMB290 million (equivalent to approximately HK\$318.7 million).

The transaction was approved by way of a written shareholder's approval by Mr. Ng Hung Sang, the controlling shareholder of the Company, together with his associates, which as at the date of such approval held approximately 61.23% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules.

Details of the transaction were disclosed in the Company's announcements dated 24 December 2025, 5 January 2026, 23 January 2026 and 28 January 2026.

### CONNECTED TRANSACTIONS

- (1) On 6 May 2025, South China Industries (China) Limited (an indirect wholly-owned subsidiary of the Company) and Sino Pioneer International Limited (an indirect wholly-owned subsidiary of the Company) as vendors (the "Vendors") entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Splendid Enterprises Limited (a company which is wholly-owned by Mr. Ng Hung Sang, the controlling shareholder of the Company, the chairman of the Board and an executive director of the Company) as purchaser (the "Purchaser"), pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in (1) World Mastery Limited, (2) Crosslight Limited and (3) Chun Wing Company Limited (collectively, the "Target Companies"), at the consideration of HK\$26,960,296 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement.

As disclosed in the Company's announcements dated 6 May, 7 May, 27 May and 3 June 2025 and the Company's circular dated 10 June 2025 in relation to the disposal of the entire issued share capital in the Target Companies and the Company's announcement dated 26 June 2025 in relation to the poll results of the resolution passed at the Company's extraordinary general meeting convened on 26 June 2025, the transaction was completed on 27 June 2025 and the Target Companies ceased to be subsidiaries of the Group.

- (2) On 6 November 2025, Thousand China Investments Limited (an indirect wholly-owned subsidiary of the Company) ("Thousand China") and South China Financial Holdings Limited ("SCFH") entered into a supplemental agreement pursuant to which the parties thereto conditionally agreed to alter, amend or change the terms of the outstanding HK\$89,840,000 convertible bonds (the "Bond") issued by SCFH to Thousand China, as follows:
  - (i) the maturity date be extended from the date falling on the third (3rd) anniversary of the date of issue of the Bond to the date falling on the sixth (6th) anniversary of the date of issue of the Bonds;
  - (ii) the interest rate under the Bonds be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the maturity date of the Bonds; and
  - (iii) the Conversion Price be changed from HK\$0.32 per the share(s) of SCFH to be issued pursuant to the exercise of the conversion rights attached to the Bonds (the "Conversion Share") to HK\$0.28 per Conversion Share subject to adjustments in the manner provided in the Bonds which are constituted by a deed poll (including all amendments and modifications from time to time made thereto) dated 13 January 2023 executed by SCFH (collectively, the "Proposed Alterations").

As disclosed in the Company's announcement dated 6 November 2025 and the Company's circular dated 4 December 2025 in relation to the Proposed Alterations and the Company's announcement dated 12 January 2026 in relation to the poll results of the resolution passed at the Company's extraordinary general meeting convened on 12 January 2026 (the "EGM"), the Proposed Alterations has been approved by the EGM and became effect on the same date.

### RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 38 to the consolidated financial statements. Certain of them are continuing connected transactions which are fully exempted from reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

### CORPORATE GOVERNANCE

Throughout the Year, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules.

The corporate governance principles and practices are set out in the Corporate Governance Report on pages 39 to 58 of this annual report.

### EVENTS AFTER THE REPORTING PERIOD

- (1) On 6 November 2025, Thousand China Investments Limited (an indirect wholly-owned subsidiary of the Company) ("Thousand China") and South China Financial Holdings Limited ("SCFH") entered into a supplemental agreement pursuant to which the parties thereto conditionally agreed to alter, amend or change the terms of the outstanding HK\$89,840,000 convertible bonds (the "Bond") issued by SCFH to Thousand China, as follows:
  - (i) the maturity date be extended from the date falling on the third (3rd) anniversary of the date of issue of the Bond to the date falling on the sixth (6th) anniversary of the date of issue of the Bonds;
  - (ii) the interest rate under the Bonds be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the maturity date of the Bonds; and
  - (iii) the Conversion Price be changed from HK\$0.32 per the share(s) of SCFH to be issued pursuant to the exercise of the conversion rights attached to the Bonds (the "Conversion Share") to HK\$0.28 per Conversion Share subject to adjustments in the manner provided in the Bonds which are constituted by a deed poll (including all amendments and modifications from time to time made thereto) dated 13 January 2023 executed by SCFH (collectively, the "Proposed Alterations").

As disclosed in the Company's announcement dated 6 November 2025 and the Company's circular dated 4 December 2025 in relation to the Proposed Alterations and the Company's announcement dated 12 January 2026 in relation to the poll results of the resolution passed at the Company's extraordinary general meeting convened on 12 January 2026 (the "EGM"), the Proposed Alterations has been approved by the EGM and became effect on the same date.

## Directors' Report

- (2) Details of the other significant events after the reporting period are set out in the section headed “Update on Litigation Proceedings” under “Chairman’s Statement and Management Discussion and Analysis” in this report.

### **AUDITOR**

The financial statements have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Ng Hung Sang**

Chairman

Hong Kong, 25 March 2026

# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

The Board is committed to maintaining a high standard of corporate governance for the Company so as to ensure accountability, responsibility and transparency towards the shareholders of the Company (the “Shareholders”).

Throughout the Year, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the directors’ securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

Specific enquiries have been made of all Directors who confirmed that they had complied with the required standards as set out in the Model Code throughout the Year.

## **CULTURES AND VALUES**

A healthy corporate culture is a valuable asset, a source of competitive advantage and vital to the creation and protection of long-term value. It is the board’s role to determine the purpose of the Company and ensure that the Company’s values, strategy and business model are aligned to it.

Strong governance underpins a healthy culture, and the Board should demonstrate good practice in the boardroom and promote good corporate governance throughout the Group’s business. The Company must demonstrate openness and accountability, and should engage constructively with its shareholders and stakeholders.

## Corporate Governance Report

### **CORPORATE GOVERNANCE FUNCTIONS**

The Board delegated the responsibilities of the corporate governance functions to the audit committee of the Company (the “Audit Committee”) for compliance with the requirements of the CG Code. Under the terms of reference of the Audit Committee, it is responsible for carrying out at least the following:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- (e) to review the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

During the Year and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

### **BOARD OF DIRECTORS**

The Board is responsible for the overall leadership and control of the Group, and is collectively responsible for promoting the Group’s success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Group. Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the “Executive Committee”) which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee of the Company (the “Remuneration and Nomination Committee”) have been established with their respective specific written terms of reference.

The chairman of the Board (the “Chairman”) has encouraged all Directors to make a full and active contribution to the Board’s affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board’s consensus.

Directors have given sufficient time and attention to the Group’s affairs for the Year.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of any possible legal action against the Directors.

The terms of office of all Non-executive Directors (including the Independent Non-executive Directors) shall expire and subject to rotational retirement and re-election at annual general meetings of the Company at least about once every three years pursuant to the articles of association of the Company (the "Articles").

During the Year, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

### BOARD COMPOSITION

The composition of the Board during the Year and up to the date of this annual report is as follows:

<b>Name of Directors</b>	<b>Length of Service in the Company</b>
<b>Executive Directors</b>	
Mr. Ng Hung Sang	33 years
Ms. Cheung Choi Ngor	33 years
Mr. Ng Yuk Yeung Paul	10 years
<b>Non-executive Directors</b>	
Ms. Ng Yuk Mui Jessica	23 years
Mr. Yu Pui Hang	3 years
<b>Independent Non-executive Directors</b>	
Mr. Kam Yiu Shing Tony	8 years
Ms. Pong Scarlett Oi Lan, BBS, J.P.	5 years
Mr. Wong Chun Tat, J.P.	4 years

The biographical details of the Directors, and the relevant relationships amongst them, if any, are set out in the section headed "Directors' Biographical Details" on pages 19 to 22 in this annual report. The Company has maintained on the websites of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company ([www.scholding.com](http://www.scholding.com)) an updated list of Directors identifying their roles and functions and whether they are independent non-executive directors. Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.

## Corporate Governance Report

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgement effectively.

### Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman and is responsible for providing leadership and management of the Board. Ms. Cheung Choi Ngor (“Ms. Cheung”), the Vice Chairman and Co-Chief Executive Officer, and Mr. Ng Yuk Yeung Paul (“Mr. Paul Ng”), the Executive Vice Chairman and Co-Chief Executive Officer, both have taken up the role of chief executive officer, who are responsible for the day-to-day management of the business of the Group.

The roles of chairman and chief executive are separate and clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, clear, complete and reliable information in a timely manner.

### Board Diversity Policy

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diverse in Board members. The Board has approved and adopted a board diversity policy (the “Board Diversity Policy”) in August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

## Corporate Governance Report

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflict of interest are the key factors to consider.

The Board has set measurable objectives (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at 31 December 2025, the Board currently comprises eight Directors with three executive Directors, two non-executive Directors and three independent non-executive Directors.

The current Board composition reflects a diverse mix of educational background, professional knowledge, industry experience and length of service. The diversity mix of the Board as at 31 December 2025 is summarized as below:

**(i) Board Composition, Gender Distribution, Age Distribution and Length of Service**

Number of Directors

	Designation	Gender	Age Group	Length of Service in the Company	
8	Independent Non-Executive Directors	Female	Over 60	Over 10 years	
7					
6					
5	Non-Executive Directors	Male		0–10 years	
4					
3	Executive Directors		41–60		
2					
1					

# Corporate Governance Report

## (ii) Directors' Skills and Experience

Areas of Experience	Number of Directors	Share of the Board
Executive Leadership	8	100.0%
Related Industry Knowledge/Experience	4	50.0%
Legal/Regulatory	1	12.5%
Financial and Accounting	1	12.5%
Social Responsibility	1	12.5%

## Workforce Diversity Policy

The Company adopted a workforce diversity policy (the "Workforce Diversity Policy") in June 2025.

### (i) Inclusivity and Diversity

The Company is committed to fostering an inclusive, diverse, and supportive workplace where all employees, regardless of gender, age, family status, race, ethnicity, religion, sexual orientation, gender identity, disability or other characteristics protected by applicable laws, are valued, respected, and treated fairly with equal access to opportunities.

All employment-related decision should be made based on merit, free from any form of bias or discrimination.

Qualifications, experience, skills, potential and performance are the primary factors considered by the Company in employment, compensation, development and promotion.

### (ii) Gender Diversity

The Company is also committed to fostering gender empowerment, gender equality and gender diversity across its workforce, and providing equal opportunities in relation to recruitment, training and development, compensation, and career and promotion opportunities.

### (iii) Review and Monitoring

The Workforce Diversity Policy will be reviewed and amended by the Board as required from time to time to ensure its continued effectiveness.

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2025:

<b>Workforce</b>	<b>Male</b>	<b>%</b>	<b>Female</b>	<b>%</b>
Board of Directors	5	63	3	37
Senior management*	2	67	1	33
Other employees	1,449	36	2,599	64

\* The Executive Directors of the Company are also members of senior management of the Group.

The Group currently does not have any specific gender target for its workforce.

### **Board and Board Committee Meetings**

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda accompanying board papers are sent to all Directors at least three (3) days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. The draft minutes of Board meetings are circulated to all Directors for comments within a reasonable time after each Board meeting is held.

Minutes of each Board meeting are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interest of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

## Corporate Governance Report

### Attendance records

Four (4) Board meetings, three (3) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting, one (1) annual general meeting and one (1) extraordinary general meeting were held during the Year. The attendance records of the Directors for these meetings are set out below:

Directors	Number of meetings attended/Number of meetings held				
	Board	Audit Committee	Remuneration and Nomination Committee	Annual General Meeting	Extraordinary General Meeting
<b>Executive Directors</b>					
Mr. Ng Hung Sang	2/4	–	–	1/1	1/1
Ms. Cheung Choi Ngor	4/4	–	–	1/1	1/1
Mr. Ng Yuk Yeung Paul	4/4	–	–	1/1	1/1
<b>Non-executive Directors</b>					
Ms. Ng Yuk Mui Jessica	2/4	–	–	1/1	1/1
Mr. Yu Pui Hang	4/4	–	–	1/1	1/1
<b>Independent Non-executive Directors</b>					
Mr. Kam Yiu Shing Tony	4/4	3/3	1/1	1/1	1/1
Ms. Pong Scarlett Oi Lan, BBS, J.P.	4/4	3/3	1/1	1/1	1/1
Mr. Wong Chun Tat, J.P.	4/4	3/3	1/1	1/1	1/1

### Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense, while performing their responsibilities. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

## **Appointments and re-election of Directors**

All Directors (including Non-executive Directors) are subject to retirement by rotation once every three (3) years in accordance with the Articles.

Pursuant to the Articles, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following annual general meeting after his appointment (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

## **Independent Non-executive Directors**

The Company has received an annual written confirmation from each of the Independent Non-executive Directors of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

During the Year, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has the overall responsibility for overseeing and maintaining a sound and effective risk management and internal control systems and reviewing the effectiveness of the same. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, executive management and both internal and external auditors.

### **Process used to Identify, Evaluate and Manage Significant Risks**

The risk management and internal control systems aim at safeguarding assets from inappropriate use, ensuring the maintenance of proper accounting records, compliance with the applicable rules and regulations and confinement of the risks to the Group's acceptable level. The management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

With the support of the relevant business units, the Board identifies and assesses key existing or emerging risks to which the Group is facing, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared at least once a year to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to be taken to better control of the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2025. The review covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. The review included considering the risk register and risk management and internal control evaluations conducted by the Audit Committee, the management and the internal and external auditors. The key risks identified, managed and monitored during the Year included the uncertainty in global geopolitical environment and the tariff imposed by the United States.

# Corporate Governance Report

## Internal Audit Function

Taking into account the views of the Audit Committee, the Group Internal Audit Department formulates an audit plan periodically and reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers key financial, operational and compliance controls of the major business units on a risk-based basis. The scope and time budgeted for an audit assignment depends on the assessed risk level. The Audit Committee meets at least twice a year with the external auditor and at least once a year with the internal auditor. During the Year, the Group Internal Audit Department conducted reviews of the toy manufacturing business, the property investment business in China Mainland and the head office IT function. The results, including the assessment of the adequacy and effectiveness of controls, were addressed in the internal audit reports to the Audit Committee and the Board for their review and approval. The Group Internal Audit Department will also conduct ad hoc review in light of the concerns expressed by the management or the Audit Committee from time to time, if any. During the Year, no significant areas of concern have been identified and the Board considered the systems effective.

## PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.
2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company’s website.
3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

The linkage is well articulated in the section headed “Environmental Policies and Performance” which forms part of the Directors’ Report.

The Environmental, Social and Governance Report includes the section headed “Anti-corruption” which explains how the Company approaches and manages a healthy corporate culture and promotes high ethical standards within the Group.

### **RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Board should present a balanced, clear and understandable assessment in the annual and interim reports of the Company and other financial disclosures required under the Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the Year. In preparing the financial statements for the Year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the Independent Auditor's Report on pages 86 to 91 of this annual report.

### **AUDITOR'S REMUNERATION**

The fees paid/payable to the external auditor of the Company for the Year in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to approximately HK\$3,995,000 and HK\$120,000 respectively. Such non-audit services were rendered to the Group for tax consultancy services.

### **AUDIT COMMITTEE**

The Board has established its Audit Committee with specific written terms of reference setting out its authority and duties. The principal roles and functions of the Audit Committee are set out in its terms of reference of Audit Committee which is made available on the respective websites of the Stock Exchange and the Company ([www.scholding.com](http://www.scholding.com)).

The Audit Committee is responsible for, inter alia, overseeing the accounting and financial reporting processes of the Group including the audits of the Group's financial statements on behalf of the Board; the appointment of the external auditor and approval of its fees; and reviewing and discussing the financial reporting system, risk management and internal control systems of the Company. It also reviews the Company's policies and practices on corporate governance and makes recommendations to the Board.

The Audit Committee currently has three members comprising three Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P..

## Corporate Governance Report

During the Year, the Audit Committee met twice with the Company's senior management and the external auditor, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.
2. Reviewed the appointment and remuneration of KPMG, the external auditor of the Company and its non-audit services provided to the Group.
3. Reviewed the audit plans, scopes, methods and reporting formats proposed by KPMG.
4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.
5. Reviewed the interim and annual financial statements, reports, and results announcement of the Group for the Year prior to publication.
6. Reviewed the internal audit reports on risk management and internal control system.
7. Reviewed the Company's policies and practices on corporate governance.
8. Reviewed the pre-approval policy including procedures and conditions for permissible non-assurance services provided by the independent auditor.
9. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two (2) private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2025.

### **REMUNERATION AND NOMINATION COMMITTEE**

The Board has established its Remuneration and Nomination Committee with specific written terms of reference setting out its authority and duties.

The principal roles and functions of the Remuneration and Nomination Committee are set out in its terms of reference of Remuneration and Nomination Committee which is made available on the respective websites of the Stock Exchange and the Company ([www.scholding.com](http://www.scholding.com)).

## Corporate Governance Report

The Remuneration and Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules, and making recommendations to the Board on appointment and re-appointment of Directors.

The Remuneration and Nomination Committee is also responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. Directors' fees including allowances are benchmarked against other listed companies of similar size and industry, and commensurate with Directors' responsibilities and workload.

The Remuneration and Nomination Committee currently has three members comprising three Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, BBS, J.P. (Chairman of the Remuneration and Nomination Committee), Mr. Kam Yiu Shing Tony and Mr. Wong Chun Tat, J.P..

During the Year, the Remuneration and Nomination Committee had performed the following:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.
2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).
3. Reviewed the Group's remuneration policy.
4. Reviewed the structure, size and diversity of the Board.
5. Reviewed the confirmation of independence by the Independent Non-executive Directors.
6. Reviewed the re-election of the retiring Directors at the annual general meeting held on 17 June 2025.
7. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision E.1.2(c) (ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

## Corporate Governance Report

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

### **NOMINATION POLICY**

#### **Objectives**

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

#### **Selection Criteria**

The Remuneration and Nomination Committee shall consider a number of factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

- (a) reputation for integrity;
- (b) balance of skill, experience, expertise and personal qualities that will best complement the relevant business sectors of the Company and the overall effectiveness of the Board;
- (c) capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;
- (d) diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;
- (e) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- (f) any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

### Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.
2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.
3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.
4. The Board shall observe its 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, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.
5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.
6. Where a retiring Director, being eligible, offers himself/herself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

### Monitoring and Review and Amendment of the Nomination Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.
2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

## Corporate Governance Report

### DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with a comprehensive and tailored induction on appointment to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development activities at the Company's expense to develop and refresh their knowledge and skills. To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the Year:

Name of Directors	Training on corporate governance, legal and regulatory requirements and other relevant topics (Number of hours)
<b>Executive Directors</b>	
Mr. Ng Hung Sang	14
Ms. Cheung Choi Ngor	14
Mr. Ng Yuk Yeung Paul	14
<b>Non-executive Directors</b>	
Ms. Ng Yuk Mui Jessica	14
Mr. Yu Pui Hang	14
<b>Independent Non-executive Directors</b>	
Mr. Kam Yiu Shing Tony	14
Ms. Pong Scarlett Oi Lan, BBS, J.P.	14
Mr. Wong Chun Tat, J.P.	14

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

### **COMPANY SECRETARY**

Mr. Watt Ka Po James (“Mr. Watt”) has been appointed as the company secretary of the Company (the “Company Secretary”) pursuant to Rule 3.28 of the Listing Rules. Mr. Watt is a full-time employee of the Company who has day-to-day knowledge of the Group’s affairs.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the Year.

### **BOARD EVALUATION**

The Company’s Board evaluation is an ongoing and continual process and is regarded as an important component of the mechanism to ensure independent views and inputs are available to the Board. In line with the best practice of the CG Code, the Company’s Board evaluations in the form of a questionnaire are conducted on annual basis. In addition to the ongoing review by the Board, the Directors play an important role in evaluating the performance of the Board to ensure the effectiveness of the Board.

### **COMMUNICATION WITH SHAREHOLDERS**

The Company attaches great priority to establishing effective communications with the Shareholders and investors. In an effort to enhance such communications, the Company uses general meeting, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

The Company regards its annual general meetings as an opportunity for direct communications between the Board and the Shareholders. All Directors and external auditors make an effort to attend the annual general meetings to address shareholders’ queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders’ meetings to communicate any concerns they might have with the Board or management direct.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the CG Code:

### 1. Procedures for Shareholders to Convene an Extraordinary General Meeting

An extraordinary general meeting shall also be convened and resolutions to a meeting agenda shall be added on a written requisition by one or more members, which shall include a recognised clearing house (or its nominee(s)), holding, as at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company which carries the right of voting (on a one vote per share basis) at general meetings of the Company.

The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event that the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda and it shall be signed by the requisitionists. If the Board does not within twenty-one (21) days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three (3) months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

### 2. Procedures for Putting Enquiries to the Board

The Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong for Company Secretary to follow up.

### 3. Procedures for Putting Forward Proposals at General Meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the annual general meetings under the Articles or the laws of the Cayman Islands. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting in accordance with the section headed "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

### CONSTITUTIONAL DOCUMENTS

There were no changes in the Company's constitutional documents during the Year. The up-to-date consolidated version of the Company's constitutional documents is available on the websites of both the Stock Exchange and the Company.

### INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The latest data and information of the Group are timely updated on the Company's website.

The Board and the Company maintain an on-going dialogue with the Shareholders and potential investors of the Company mainly through the Company's financial reports, annual general meeting and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

### DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow the Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

#### Objectives

The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the shareholders of the Company.

It is the policy of the Company to distribute its net profits by way of dividends to its shareholders after retaining adequate reserves for future growth as return to its shareholders' investment.

#### Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Cayman Islands laws and the Articles.

## Corporate Governance Report

### **Form of Dividend**

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

### **Approval of Dividend**

The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by the shareholders of the Company in general meetings.

### **Approval of the Dividend Policy**

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. The Dividend Policy shall be reviewed by the Audit Committee and any subsequent amendment of the Dividend Policy shall be submitted to the Board for approval.

### **Dividend for the Year**

No dividend was declared for the Year, in line with prior years, as the Board considers it appropriate to retain resources to support operational stability and future growth.

# Environmental, Social and Governance Report

South China Holdings Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are committed to continuously increasing awareness and attention to environmental, social and governance (“ESG”) issues. In 2025, the Group continued the promotion of our ESG strategy, aiming at achieving the established ESG goals, when the sustainable growth of the Group’s business would also be fostered for the creation of long-term value for our stakeholders by actively participating in community development and strengthening transparency and risk management.

In accordance with the requirements set out in Appendix C2 “Environmental, Social and Governance Reporting Code” of the Listing Rules, the Board of Directors of the Company (the “Board”) is pleased to submit the annual environmental, social and governance report (the “Report”) for the period between 1 January 2025 and 31 December 2025 (the “Year”).

Given that the toy manufacturing business contributes more dominantly to the Group’s revenue, the scope of the Report mainly covers the Group’s main toy manufacturing plants in the People’s Republic of China (“China” or the “PRC”), including the Group’s head office in Hong Kong. During the Year, there were no significant changes in the Group’s business, capital structure and supply chain structure.

## REPORTING PRINCIPLES

The Report is based on the four principles of materiality, quantitative, balance and consistency.

### **i. Materiality**

The Group has identified important stakeholders and differentiated important ESG issues for the year through stakeholder survey and research together with materiality assessment, which serve as the basis for determining the disclosure focus of the Report.

### **ii. Quantitative**

All data in the Report is derived from relevant statistical reports and internal documents of the Group. Related standards and methods used in the calculation of key performance indicators (“KPIs”) have been disclosed with a narrative description on the purpose and impact attached to evaluate the effectiveness of ESG policies and related systems.

### **iii. Balance**

The Report has fully covered the indicators required to be disclosed in the “Environmental, Social and Governance Reporting Code”, including positive indicators and negative indicators. It presents the Group’s performance in an unbiased manner, avoiding selections, omissions or reporting formats that may inappropriately affect the decision-making or judgment of report readers.

### **iv. Consistency**

Unless otherwise stated, the information collection and statistics in the Report are basically consistent with those for previous years.

# Environmental, Social and Governance Report

The material aspect under Governance; Environmental; Climate change and Social are set out as follows:

## 1. GOVERNANCE

The Board is responsible for formulating the sustainability approach and approving the Group's annual Report; reviewing the latest ESG and climate related progress at least once every financial year; and approving the result of the materiality assessment as well as publishing the Report.

The Board would assume the ultimate responsibility for the Group's sustainable development, liable for the formulation of relevant policies and strategies and for ensuring the integration of ESG risks into the Group's risk management mechanism and long-term business planning. In order to effectively implement ESG measures, the Board, assisted by our management team, consistently provide guidance and supervision on major ESG matters, when all sustainability disclosures, policies, goals and indicators are subject to review and approval by the Board. In addition, the Board would also regularly evaluate the achievement of ESG goals and our overall performance.

The Group continued to strive for a balance among the impact on environmental protection and social responsibility in our strategic planning, aiming at creating sustainable value for stakeholders and the communities in which the Group operates. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board oversees the Group's ESG-related matters and responsibilities. Its duties include monitoring and reviewing compliance with applicable laws and regulations on ESG issues, as well as periodically assessing the Group's ESG performance. The Board is also responsible for the review of ESG-related information on annual basis, to evaluate the progress of the ESG work and the content and quality of the report, with an aim to ensure the Group's ESG practices are reflected in the Report in an accurate manner. To maintain effective leadership in the ESG process of the Group, the Board continuously monitors the implementation of ESG tasks. The Board regularly evaluates the progress towards the ESG goals and conducts a comprehensive review of the Group's ESG performance and effectiveness during ESG meetings and the preparation of the annual ESG report. Based on the assessment results, the Board defines a clear direction for the future development of ESG and implements policies to improve, maintain and rectify the Group's performance on ESG-related issues, so as to ensure the achievement of set goals and continuously promote the Group's sustainable development process.

## Environmental, Social and Governance Report

During the Year, the Group relentlessly adhered to the philosophy of “Healthy Life, Safe Environment and Bright Future”, requesting all major subsidiaries, especially our main production plants in China, to strictly abide by relevant national and local laws, regulations and rules as well as systems on environmental protection, employment and labour practices as well as operating practices. Besides, all the subsidiaries of the Group engaged in toy manufacturing are members of the International Council of the Toy Industries (“ICTI”) Ethical Supply Chain Program (“ESCP”), which are required to stringently comply with the Code of Business Practice of ESCP and are committed to operating factories in a legal, safe and healthy manner. During the Year, the following standards have always been adhered to in our production plants to support the rights and well-being of our factory workers:

- Audit Process — It is allowed in our factories for auditors to inspect all operating areas therein with complete transparency without hindering auditors from interviewing workers;
- Business Ethics — No attempt is allowed to improperly influence the audit process or results;
- Discrimination — Discrimination is absent from recruitment, working or removal processes;
- Disciplinary Practices — Employees are treated with courtesy and respect at all times;
- Employee Representation — Rights of association and collective bargaining of employees are recognised and respected;
- Employment Practices — Applicable labour regulations are complied with and labour contracts should be signed with employees;
- Environment and Chemical Safety — Environmental regulations are followed and training is provided to ensure chemicals are handled safely;
- Modern Day Slavery — No forced or prison labour is allowed; no recruitment fees is levied; and overtime work must be on voluntary basis;
- Work Safety — The workplace must be safe; employees’ health is protected; protective equipment is provided to workers for mandatory use in the factories; and emergency measures must be effective;
- Underage Labour — No child labour is employed and protection of young workers is strengthened;
- Wages — Fair, legal and accurate wages are provided on time; and
- Working Hours — No overwhelming working hours are suggested and adequate rest time is provided.

# Environmental, Social and Governance Report

Advanced technologies suitable for each production stage have been and are going to be actively identified and then adopted for the Group's toy manufacturing plants. By introducing high-efficiency equipment and simplifying operating procedures, the Group could reduce the consumption of fuel, electricity and water resources and improve the efficiency of resource use, thereby contributing to environmental protection.

## 1.1 Risk management

Effective risk management is fundamental to the Group's operational resilience and its ability to navigate an evolving environmental landscape. The Board maintains a systematic process for identifying and assessing ESG and climate-related risks, categorising them into various categories based on their likelihood and severity.

To ensure these factors are not managed in isolation, ESG and climate-related risks are fully integrated into the Group's centralised risk register and broader internal control processes. This allows the Board, or its delegated committees, to monitor risk velocity and impact on an ongoing basis, ensuring that mitigation strategies such as adaptation measures and carbon reduction initiatives — are appropriately resourced and aligned with our long-term business strategy.

## 2. ENVIRONMENTAL

### 2.1 Emissions

Environmental protection plays a key role in the Company's sustainable development. The Group's strategy is to continuously reduce the environmental impact of our business operations and to promote environmental protection within the Group, our markets and the communities in which we operate. Although the toy manufacturing industry is generally considered as a light industry which has relatively little impact on energy consumption as well as air and water pollution, the Group is still committed to minimizing the impact of our business operations on the environment through the following measures:

## Environmental, Social and Governance Report

### (a) Control of emission of air pollutants and greenhouse gases (“GHGs”)

In order to strictly abide by the ESCP’s Code of Business Practice, the Group has established and implemented a number of policies and control procedures such as 《環境保護控制程序》 (Environmental Protection Control Procedures\*), 《健康安全環保政策》 (Health and Safety Environmental Protection Policy\*), 《溫室氣體量化與報告程序》 (Greenhouse Gas Quantitative Reporting Procedures\*) and 《溫室氣體管理文件與記錄管理程序》 (Greenhouse Gas Qualitative Management Procedures and Greenhouse Gas Documentation and Record Management Procedures\*) to control GHG emissions, noise, light intensity, workplace temperature, water consumption and so forth, with reference to relevant laws and regulations such as the 《中華人民共和國大氣污染防治法》 (Atmospheric Pollution Prevention and Control Law of the PRC\*), 《廣東省地方標準大氣污染物排放限值》 (Emission Limits of Atmospheric Pollutants of Local Standard of Guangdong Province\*) and 《工業企業廠界環境噪聲排放標準》 (Emission Standard of Environmental Noise for Industrial Enterprise and Factory Sectors\*). All such policies and control procedures were practically implemented during the Year.

In order to comply with relevant laws and regulations, the Group continues to engage independent third-party organisations with qualifications recognised by local authorities in China to conduct periodic inspection and testing on workplace air quality, industrial waste gas, generator waste gas, noise and illumination levels and other emission to ensure that all data is in line with national and local standards.

The Group actively fosters measures to reduce waste, improve efficiency of our production processes and optimise our management by monitoring and reviewing material waste in our production processes, encouraging employees to take eco-friendly actions to reduce their impact on the environment. Employees may choose to use eco-friendly public transports such as the MTR and trams in Hong Kong, and prioritise the use of public transports, especially the metro, or carpooling with others when traveling for business in China, which may assist in the reduction of their carbon footprints. Secondly, the Group encourages the use of video or audio conference for business meetings, which may effectively lower the number of business trips. Furthermore, the Group also requests the use of electronic message for internal communication as much as possible, which may entail the plummeting consumption of paper, thereby being helpful to the reduction of indirect emissions of GHGs. Achieving sustainable development in daily operations through these initiatives is the hope of the Group who actively make contribution to the long-term goal of environmental protection.

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Paper consumption is one of the major sources of indirect GHG emissions of the Group. Currently, a number of internal administrative measures are taken to reduce the use of paper such as an e-leave system for application and approval of leave, an e-pay slip for salary payment notification, e-internal communications and e-reports, printing on duplex mode, paperless storage and regular waste paper collection for recycling. In addition, the Group also encourages customers and suppliers to adopt electronic means for communication to further cut down the need for paper. In order to minimise GHG emissions, the Group has now arranged for independent recycled paper collectors to periodically collect used papers in our Hong Kong headquarters office, in order to ensure that these resources are effectively recycled and reused.

Emission Summary:

<b>Indicators</b>	<b>2025</b>	2024
	<b>Tonnes</b>	Tonnes
Total GHG emissions <sup>1</sup>	<b>12,568</b>	13,828
GHG emission intensity (tonnes/employee)	<b>2.48</b>	2.73
Direct GHG Emissions (Scope 1):		
– On-Road Mobile Source	<b>225</b>	415
– Fixed Source and Non-Road Mobile Source	<b>196</b>	393
– Refrigerants	<b>127</b>	216
Energy indirect GHG Emissions (Scope 2):		
– Electricity (Location-based)	<b>11,745</b>	12,498
Other indirect GHG Emissions (Scope 3):		
– Category 6: Business travel <sup>2</sup>	<b>128</b>	123
– Category 5: Paper consumption	<b>13</b>	12
– Category 5: Sewage Treatment	<b>134</b>	171

1. The Group's GHG inventory includes carbon dioxide, methane and nitrous oxide. For the ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent (CO<sub>2</sub>e). The calculation of GHG emissions is prepared in accordance with Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

2. It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

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### (b) Control of generation of hazardous and non-hazardous wastes

A certain amount of waste would be generated in the Group’s production plants in China. In accordance with relevant laws and regulations such as 《中華人民共和國固體廢物污染環境防治法》 (Solid Waste Environmental Pollution Prevention and Control Law of the PRC\*), 《廣東省固體廢物污染環境防治條例》 (Solid Waste Environmental Pollution Prevention and Control Regulation of Guangdong Province\*) and 《「三廢」及噪聲排放控制程序》 (“Three Wastes” and Noise Emission Control Procedures\*), the Group regularly identifies, evaluates and properly disposes of wastes. Moreover, the Group has entrusted independent third-party organisations with qualifications recognised by local authorities in China to collect waste generated from our production plants in order to effectively control the disposal of waste and to prevent environmental pollution accidents caused by unintentional littering. In our Hong Kong headquarters, the Group has designated areas dedicated to the processing of electronic equipment and waste papers. The discarded electronic equipment and waste papers are usually collected regularly by independent third-party organisations to ensure the proper processing and recycling. By means of these measures, the Group is committed to reducing our environmental impact and promoting the sustainability of resources.

Waste summary:

Indicators	2025 Tonnes	2024 Tonnes
Hazardous wastes <sup>1</sup> collected for treatment/recycling in the PRC plants	107	171
Non-hazardous wastes <sup>2</sup> collected for treatment/recycling in the PRC plants	1,980	3,379

1. Mainly originated from waste oil, wastewater, oil wiping towels, empty barrels or cans for solvents etc.
2. Mainly originated from waste wooden pallets, waste plastic bags, waste papers, waste paper products, general office garbage etc. All non-hazardous wastes are directly handled by the property management of the buildings in which the offices of our Hong Kong headquarters are situated so that no data is available in this aspect.

# Environmental, Social and Governance Report

## 2.2 Use of Resources

Fuel consumption and electricity consumption are the main sources of direct and indirect energy consumption of the Group respectively and also the main sources of GHG emissions. In order to cope with environmental challenges, 節能減排小組 (Energy Conservation and Emission Reduction Team\*) has been set up for the Group's production plants, responsible for periodic analysis on the effectiveness of resource management and consumption levels so as to determine whether there are any deficiencies and for the exploration of practical ways of reducing energy consumption and preventing unnecessary energy waste so as to strengthen our environmental protection. Besides, 《能源資源節約管理程序制度》 (Regulations for Energy Resources Conservation Management Procedures\*) have been and will be followed in our production plants where certain energy conservation measures recommended by accredited third-party professional organizations including optimising production processes, enhancing equipment efficiency and introducing high-efficiency energy technologies are in place.

“Save Our World and Build Our Green Office” is the environmental protection purpose of the Group. In addition to promoting water and energy conservation as well as paper saving, we are also actively taking other environmental protection initiatives in our Hong Kong headquarters. For example, the Group encourages employees to use electronic documents and digital signatures to reduce the use of paper. Concurrently, recycling programs are promoted and special containers for recyclable materials are put in place for the separation by our employees of paper, plastic and metal waste for recycling. Furthermore, labels promoting environmental protection are posted on obvious places in our headquarters to enhance our employees' environmental awareness and to share practical tips on sustainable living. Encouraging low-carbon commute, we also suggest our employees to opt for public transports or carpooling for their commutes, and require our employees to switch off lighting and office equipment when leaving their workplace, so as to further reduce carbon emissions. These comprehensive measures are designed to create a greener office environment and to make all our employees dedicated to their participation in sustainable development.

Energy consumption summary:

Indicators	2025	2024
Total energy consumption (MWh)	22,452	23,511
Direct energy consumption (MWh)	204	249
Indirect energy consumption (MWh)	22,248	23,262
Total Energy Intensity (MWh/employee)	4.43	4.64

## Environmental, Social and Governance Report

The Group continues to be committed to conservation on water resources, when water resources for our production plants in China originate from water supplies from local municipal governments. The Group aims at controlling water pollution through proper disposal of wastewater, which is mainly generated from the process of cooling and cleaning machinery in our production plants in China. For our Hong Kong headquarters, operations are conducted in several leased offices, the water supply and drainage of which are all the responsibility of the management departments of such buildings. However, it is impossible for those building management departments to separate the data on water consumption and drainage volume for each unit. The relevant costs are included in the management fees of each rented property, which are paid directly to the respective building management departments. As of 31 December 2025, the Group had no problems on obtaining water sources.

In order to further decrease the use of water resources, the energy conservation and emission reduction teams for our production plants in China have maintained various measures such as constant inspection on pipelines and timely repair for water leakage as well as raising our employees' awareness on water conservation to reduce water consumption. During the Year, the Group made achievement to a certain extent in terms of water resource management, showcasing a reduction in total water consumption.

Water consumption summary:

<b>Indicators</b>	<b>2025</b>	2024
Total water consumption (m <sup>3</sup> ) <sup>1</sup>	<b>366,688</b>	403,775
Total water consumption intensity (tonnes/employee)	<b>72.30</b>	79.62
Packaging material consumption (tonnes)	<b>8,942</b>	6,620
Paper use (kg)	<b>9,700</b>	9,813

1. It is based on the volume of water consumed as per the water bills for the facilities of the production plants in the PRC. Water consumption in the Hong Kong headquarters was not taken into account as it did not involve high water consumption.

The Group aims at operating its toys manufacturing business with maximum resources efficiency by making efforts in reducing waste of materials in the production process. Being a responsible OEM, the Group complies with the contracts signed with its customers, ensuring that each specified product and its packaging materials are in line with all specifications. Given the role of OEM, the materials required for manufacturing toys are contractually specified by its renowned multinational customers from the USA, Canada and Australia. The properties and quality of those materials are ensured to meet the highest standards, thereby reflecting the Group's commitment to product quality.

## 2.3 The Environmental and Nature Resources

Environmental protection is a continuous long-term process, including management of energy and water consumption, and waste production. The Group continues to realise green and low-carbon concepts in actual operations, aiming at improving resource use efficiency while striving to reduce negative impacts on air, soil, water and other aspects. Apart from the aforesaid policies, guidelines, procedures, and engagement of independent third-parties for carrying out an energy audit on an annual basis, the Group from time to time promotes the environmental awareness of our employees by emphasizing “Energy Conservation, Start by Us” and “Energy Conservation Starting from Each Drop of Water and Each Unit of Electricity”. In addition, PRC production plants have always observed the guidance of the facility’s temperature as per the guidance document under ESCP’s Code of Business Practice, to ensure that not only are the industry standards complied with during our operations but also energy waste could be reduced. During the Year, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in some applicable office areas were still in force and would be monitored and reviewed regularly pursuant to the environmental requirements. The Group continues to review and monitor its energy consumption performance, and identify energy saving measures to optimise energy use.

## 2.4 Environmental Protection

As the world is increasingly concerned about sustainable development, the Group firmly believes that enterprises should play an active role in environmental protection. Therefore, the Group has formulated a comprehensive environmental protection strategy aiming at gradually reducing our environmental footprint and improving our performance in the market, and shall continue to review the market developments and opportunities to ensure that efforts on environmental protection are complementary to business growth.

As global environmental protection standards continue to improve, the Group will keep improving our own environmental protection measures, striving to demonstrate the Group’s sense of responsibility and advancement in all aspects. Through these comprehensive measures, not only could the Group lift our environmental management level internally, but also it is hoped to become an industry benchmark so as to encourage other enterprises for their efforts on joint promotion of environmental protection and sustainable development.

**(a) Increasing the Proportion of Renewable Energy**

The Group has installed solar photovoltaic panels of high efficiency in our toy manufacturing plants, which are expected to generate 937,457 kWh of electricity annually. Not only could this move reduce our reliance on traditional energy, but also it could effectively reduce carbon emission, thereby contributing to environmental protection goals. Meanwhile, the Group plans to further expand the scope of use of renewable energy and to explore the application of other renewable energy technologies for continuous enhancement in our energy self-sufficiency.

**(b) Increasing Energy Use Efficiency**

At PRC Plants, the team is gradually replacing existing fluorescent light tubes with light emitting diode (LED) lights in the office area, staff dormitories and factories. Not only do these LED luminaires significantly reduce energy consumption, but also they have a longer life of use, reducing replacement frequency and associated waste generation. To further improve our energy efficiency, the Group is also considering the introduction of an intelligent lighting system which may automatically adjust light brightness according to actual needs.

**(c) Increasing Water Recycling**

Our staff dormitories in our PRC factories have advanced water recycling system in place, which effectively collects treats and reuses wastewater from our dormitories for toilet flushing purposes, annually recycling about 35,000 m<sup>3</sup>. Not only could it reduce the demand for water, but also it could mitigate the burden of sewage treatment. The Group plans to further optimise our water recycling system in the future to improve recycling efficiency and to explore other management technologies on water resources.

**(d) Collection of Waste Generated during Manufacturing**

Hazardous waste of the Group is regularly collected and sent to professional recycling companies for proper treatment. Not only could this measure protect the environment, but also it could ensure that the Group complies with all relevant environmental regulations. The Group also encourages our employees to participate in waste sorting and reduction measures, which may spur their collective sense of responsibility for environmental protection, thereby exploring new ways to reduce waste generation during our production processes.

## 3. CLIMATE CHANGE

Climate change is one of the biggest challenges faced by the globe nowadays. The Group understands the importance of climate change on business operations and long-term development, and has actively taken countermeasures. In the process of climate risk management, reference is made to international standards such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). The Group's climate-related strategies cover governance structure, risk and opportunity identification, scenario analysis and remedy plans, aiming at establishing a transparent and responsible management model.

### 3.1 Strategy

The Group's strategy is designed to ensure long-term value creation by integrating climate-related risks and ESG opportunities into our core business model and financial planning. We categorise our strategic response across short (1–3 years), medium (3–10 years), and long-term (10+ years) horizons, specifically assessing the impact of the transition to a low-carbon economy on our lending portfolios and investment strategies.

The Group has conducted a comprehensive climate scenario analysis during the Year to identify major climate-related issues that have and may have an impact on the Group. First of all, a number of climate scenarios (utilising 1.5 deg C and 2 deg C pathways) were selected to conduct an in-depth assessment on various possible future developments, especially the potential impact of extreme climate events and policy changes on our business. A climate risk data base was then established to identify physical risks and transition risks related to climate change. For acute physical risks, highly frequent weather events should be taken into consideration to develop corresponding response strategies, while we should pay close attention to the trend of long-term climate change for chronic physical risks. Despite smaller direct influence from it, we still need to remain vigilant. Through scenario analysis, we evaluate the resilience of our capital allocation against potential asset devaluation in high-carbon sectors and the increasing frequency of physical climate shocks to collateral.

## 3.2 Climate related risks

In terms of climate risk identification and assessment, the Group has conducted a systematic analysis on physical and transitional risks to identify key risks that may have an impact on business operations, supply chains and operating results, thereby clearly understanding the risks closely related to each segment of our businesses, by which existing policies and management measures could be reviewed, and resources could be invested continuously in strengthening risk management strategies to establish and enhance the ability to cope with climate change.

Based on an in-depth study of the key risks posed by climate change to operations, the Group explores the physical risks that may exist in its own value chain and different businesses across different geographical locations. Through the assessment on aspects such as operations and finance, a climate risk data base has been established with the most relevant climate risks identified and corresponding response measures formulated. As of 31 December 2025, the Group had conducted the climate risk identification and assessment completely with a questionnaire assessment on climate risk commenced and a climate risk matrix established, which has clearly identified the importance of relevant climate risks to the Group, and existing relevant management was reviewed to maintain the ability of responding to relevant risks.

The Group pays great attention to the possible physical impacts of climate change. For example, highly frequent and severe weather events (acute physical risks) can seriously disrupt the Group's business operations, so insurance policy is planned to be maintained to manage those risks according to the situation. In addition, the ever-changing climate patterns (chronic physical risks) may lead to sustaining high temperatures. Although the impact on the Group's toy products is relatively small, continuous monitoring is still needed.

In terms of transition risks, extensive policy, legal, technological and consumption behaviour changes will take place to mitigate and adapt to climate change. Such changes would increase in costs of legal and compliance and costs of change of production equipment with lower emission of GHG which in turn would affect the profitability of the Group.

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The Group has now developed an internal policy against major climate risks with a dedicated team responsible for the implementation and supervision of the policy, which outlines management measures against climate-related issues. These include promoting the use of renewable energy, improving energy efficiency, strengthening the sustainability of the supply chain and increasing climate awareness among our employees. All the analysis results and policy recommendations are reviewed and confirmed by the Board to ensure that the Group’s climate response strategy aligns with our overall development goals and could remain competitive in a changing environment. The Group believes that, through these efforts, not only can we effectively respond to the challenges brought about by climate change, but also it is possible to find new growth opportunities in the market.

Risk Category	Type	Timeframe	Impact Area	Severity & Potential Financial Impacts
<b>Physical Risk</b>	Acute: Extreme weather (heatwaves, storms)	Short to Medium	Internal: Office facilities and employee safety	High: Business continuity disruption; sudden increases in costs for backup power and remote-work infrastructure.
<b>Physical Risk</b>	Chronic: Rising temperatures	Long	Downstream: Office energy load and server stability	Moderate: “Brownouts” affecting server uptime; sustained higher utility operating expenditures (OPEX) for cooling office spaces.
<b>Transition Risk</b>	Policy & Legal: Energy efficiency mandates	Medium	Internal: Increasing reporting obligation	High: Increasing cost for the reporting in response to the changing regulatory landscape; significant capital costs to retrofit HVAC systems (Heating, Ventilation, and Air Conditioning).
<b>Transition Risk</b>	Market: Customer’s preference shifts	Short to Medium	Upstream: Talent recruitment and retention	Moderate: Increased recruitment costs and potential loss of competitive edge due to labor shifts toward “purpose-driven” employers.

## 4. SOCIAL

### Employment and Labour Practices

#### 4.1 Employment

“People Oriented” is the Group’s persistent notion. Founded upon the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and is dedicated to fostering a concept of caring community in workplace. The Group cares about every employee. Besides being reflected by materials, our care also covers their mental health and career development. The Group believes that a good, fair and inclusive working environment can improve employees’ satisfaction and productivity.

Its production facilities have complied with the standards of ESCP as the Group’s PRC production plants have been certified by the Caring, Awareness, Responsible, Ethical Process of ESCP for its compliance since 2004. Not only has the certification reflected the Group’s commitment to creating a safe and responsible working environment, but also it has driven the understanding and practice of social responsibility, thereby enhancing our corporate image.

The Group deeply believes that attracting and retaining outstanding talents is the key to sustainable development and is therefore committed to providing fair and competitive remuneration packages, including salaries and various fringe benefits. In addition to mandatory employment benefits, the Group also provides welfare benefits such as personal and life insurance, paid leave and education awards and grants. Special emphasis is placed on education and training, when our employees are encouraged to join professional development courses to improve their skills and knowledge. Besides helping our employees achieve their personal career goals, the Group’s overall competitiveness could also be further enhanced. It is the policy that salary of employees working in the headquarters in Hong Kong will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation by their heads and then their appraisal results will be endorsed by such employees, and are subject to the final approval by the relevant executive director or to whom that the director delegates.

## Environmental, Social and Governance Report

Furthermore, the Group Human Resources Department will provide a guideline of the salary range of each category in light of the current market rate to each department head to ensure that the salary range for each position in the headquarters in Hong Kong remains competitive. The Group understands the changes in market salary levels and therefore conducts regular salary surveys in order to adjust our salary strategies in a timely manner. Simultaneously, it is also taken into account in the annual budget of our PRC production plants the wage trends of workers in the region to ensure that our wage policies are in line with market demand. The Group is committed to comply with the code provisions contained in the Corporate Governance Code set out in Appendix C1 of the Listing Rules, regarding of remuneration of directors and senior management, in an attempt to ensuring the transparency and fairness of our remuneration policies which may further enhance the Group's corporate responsibility and image.

In order to ensure the fairness in recruitment for each position, the maximization of diversity of applicants and that high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such internal policies such as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force. These policies are designed to create a fair and inclusive recruitment environment and to ensure that all the job candidates are evaluated without any bias or discrimination. Through these measures, the Group hopes to attract outstanding talents from all walks of life. In addition, reflection on the diversity of society and facilitation of innovation and creativity growth are also our hopes.

Moreover, for providing basic understanding of the Group's background, organization structures and business objectives, safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, promotion, termination of employment, diversification and other fringe benefits and our employees' adherence to the relevant policies, systems and procedures, etc., an orientation training from the Group will be provided for all newcomers by the Group Human Resources Department. This training is designed to assist new employees in becoming familiar to the Group's culture and understanding their rights and responsibilities. The Staff Handbook and the related policies are available in the Group's intranet folder for reference at any time by the employees. Not only could this move improve the accessibility of information, but also it could further demonstrate the Group's commitment to environmental protection.

The Group believes that, through continuous support and guidance to our employees, a strong and cohesive team will be built and each employee will be enabled to grow robustly in this dynamic work environment. This powerful team culture may be helpful to improve our work efficiency, to achieve the Group's long-term goals and to maintain our competitive advantage in the ever-changing market.

## Environmental, Social and Governance Report

The Group's PRC production plants are always in strict compliance with the relevant requirements as set out in ESCP's Code of Business Practices. Furthermore, the PRC Staff Handbook for our employees in mainland China is prepared in accordance with the relevant provisions such as 《中華人民共和國勞動合同法》 (Employment Contract Law of the PRC\*).

Committed to creating an inclusive and respectful work environment, the Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 57, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480 in Hong Kong, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602, and of 《中華人民共和國勞動法》 (Labor Law of the PRC\*), which is applicable in mainland China and includes 《中華人民共和國勞動合同法》 (Employment Contract Law of the PRC\*).

The total workforce by geographical region, gender, age and employment category during the Year is as follows:

**(a) Number of employees by region**

	2025	2024
Mainland China	4,921	4,913
Hong Kong	151	158

**(b) Number of employees by gender**

	2025	2024
Female	3,044	3,046
Male	2,028	2,025

**(c) Number of employees by age**

	2025	2024
Under 30	731	733
30–50	3,586	3,570
Over 50	755	768

# Environmental, Social and Governance Report

## (d) Number of employees by employment category

	2025	2024
Senior Management	41	26
Middle Management	286	282
General Staff	4,745	4,763

As of 31 December 2025, the Group's employee turnover rate is set out in the table below:

By region	By gender	By age
Hong Kong	11% Male	87% Under 30
Mainland China	73% Female	61% 30–50
		Over 50
		205%
		45%
		67%

Note: Manpower is flexibly deployed in the Group's factories in China according to customer order requirements and seasonal factory needs, resulting in frequent staff changes and a relatively high turnover rate.

## 4.2 Health and Safety

The Group believes that not only could a good working environment improve our employees' productivity, but also it could reduce the occurrence of work-related injuries and health problems. Concurrently, the Group has provided employees with a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and Guides for Computer Workstation, which are all applicable to our Hong Kong headquarter. In view of the Group's production plants in the PRC, both 《環境健康安全管理程序》 (Environmental Health and Safety Management Procedures\*) and 《危害能源控制程序》 (Hazardous Energy Control Procedures\*) are continuously adhered, and the Environmental Health and Safety Team keeps functioning by means of on-site communications and regular meetings for managing the environmental health and safety projects, regular assessment of the effectiveness, practicality and comprehensiveness of such procedures, and timely update for the purposes of avoidance of accidents and continuous improvement in environment, health and safety.

## Environmental, Social and Governance Report

In order to prevent, control and eliminate occupational hazards and to raise the employees' awareness of occupational safety, both 《職業健康管理制度》 (Occupational Health Management System\*) and 《職業病管理制度》 (Occupational Disease Management System\*) formulated in accordance with laws and regulations such as 《中華人民共和國職業病防治法》 (Prevention and Treatment of Occupational Diseases Law of PRC\*) and 《使用有毒物品作業場所勞動保護條例》 (Labour Protection for Workplace Using Toxic Substance Regulation\*) are adhered by providing such protective gears as safety helmets, safety shoes, ear plugs and gas masks by the Group to workers to ensure that they are fully protected during their work. Medical check-ups for staff who are having high exposure to occupational disease are provided at pre-employment, under-employment (on an annual basis) and post-employment stages. It is the policy that staff having occupational contraindication or suspected occupational disease would be transferred out from their original posts for diagnosis and treatments or other arrangement for protection of health of workforce and production safety by reference to the advices from the occupational safety and health authority.

The Group Human Resources Department oversees the occupational health and safety matters, ensuring that all occupational health and safety-related accidents must be reported to the department as and when necessary. The mechanism was established to prompt transparency and to raise awareness of potential risks. All the staff has been notified that any potential or suspected occupational health and safety issues may be notified to the Group Human Resources Department by means of email to the designated email address. Not only could this open communication channel encourage our employees to proactively participate in the management of health and safety, but also it could enable timely identification and resolution of problems to ensure the safety of all working environments.

After being informed, the Group Human Resources Department will conduct investigation if necessary and take corresponding remedial actions based on the investigation results. This includes a detailed analysis on the incident, investigation of the root cause of the problem and the development of improvement measures to prevent the re-occurrence of a similar incident.

Number of reportable injuries and lost days due to work-related injury are as follows:

<b>Work safety</b>	<b>2025</b>	2024	2023
Number of occupational fatalities	<b>0</b>	1	0
Occupational fatality rate	<b>0%</b>	0.0197%	0%
Number of working days lost due to occupational injuries	<b>210</b>	311	111

Note: Any work-related injury/occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong or to notify 社會保險行政部門 (social insurance administrative authorities\*) pursuant to 工傷保險條例 (industrial injury insurance regulations\*) in the PRC.

# Environmental, Social and Governance Report

## 4.3 Development and Training

For sustainable development of the Group and its employees, the Employees Training and Development Policy continued playing a key role during the Year. The Group has arranged in-house training courses, including induction orientation and on-the-job trainings, and other training courses and seminars conducted by third party providers in light of the employees' job requirements and the business objectives of the Group. Not only are these trainings beneficial to improving our employees' professional skills, but also it could enhance their understanding and recognition of the Company's goals, thereby increasing our overall work efficiency and team spirit.

Performance appraisal evaluation is an integral interactive mechanism between an employee and his/her department head, which, by means of appraising an employee's past performance, identifies the employee's areas for improvement and enhancement for fulfilment of the agreed objectives. In order to encourage and support our employees to refine and enhance their knowledge and skills that may be helpful to achieve these goals, the Group would approve the granting of study and examination leave so as to encourage and support employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives.

In addition, PRC production plants have their 《員工培訓控制程序》 (Staff Training Control Procedures\*). The Human Resources Department will conduct training survey in the fourth quarter of each financial year for planning training programmes in the forthcoming year. It covers a wide range of topics, including pre-employment induction orientation, management, professional, technique, quality control and safety, which are provided by means of both internal and external sources for the purpose of enhancement of employees' professionalism and occupational skills to ensure that the Group maintains its competitiveness and innovative capability in the ever-changing market environment. Such training strategy will undoubtedly lay a solid foundation for the Group's future development.

During the Year, the training hours of the Group's employees are set out in the following table:

<b>Item</b>	<b>Number of hours</b>
Total training hours	14,856
Average training hours per employee	3

## Environmental, Social and Governance Report

During the Year, the percentage of the Group's employees trained is set out in the following table:

	2025 Percentage
<b>By gender</b>	
Male	100%
Female	78%
<b>By category of employee</b>	<b>Percentage</b>
Supervisory or above	54%
General employees	89%

The Group's Wah Shing Academy had provided various training courses substantially during the Year to enhance the professional skills and knowledge of staff. These courses cover a wide range of areas, be it technical skills, management skills or personal development, to meet the needs of different positions and departments.

Additionally, the Group highly values the continuous professional development of the directors and management to ensure that they are able to adapt to the ever-changing market environment and business challenges. In the best interest of the Group, the Group will conduct various executive level training to support the executives to perform to the best of their capabilities and ensure quality leadership with good corporate governance practices. These trainings not only strengthen the decision-making ability of the management, but also promote their professional knowledge in corporate governance, risk management and strategic planning, thereby enhancing the overall management effectiveness and providing strong support for the sustainable development of the Group.

# Environmental, Social and Governance Report

## 4.4 Labour Standards

The Group strictly complies with the Employment Ordinance, Cap. 57 of Hong Kong laws, and 《中華人民共和國勞動合同法》 (Employment Contract Law of the PRC\*) in respect of employment in Hong Kong and the PRC respectively. In accordance with the 《禁止使用童工規定》 (Regulations on the Prohibition of Child Labour\*) and other laws and regulations and the Group's Recruitment Policy, employment of child and forced labour is strictly prohibited, and all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are explicitly prohibited. It is the Group's policy that all employees working in the Hong Kong headquarters must be aged 18 and above. In addition, PRC production plants have implemented their own 《限制童工入廠辦法》 (Minor Labour Hiring Control Practice\*) which explicitly prohibits from hiring any labour aged under 16.

To ensure compliance of the recruitment process, it is a standard procedure in screening stage being adopted in Hong Kong and the PRC that all interviewees are required to present their identity cards or other valid documents for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18 in Hong Kong and below 16 in the PRC. In the event that any irregularities in ages, identities or validities of employment status is subsequently found after employment, the employment with concerned candidates will be immediately terminated, and the Group will promptly report such incident to the relevant authorities. Furthermore, in the case of any child labour being found in any PRC production plant, such labour will be repatriated to their homes after medical check-up to ensure compliance with laws and regulations and to protect the rights and interests of labours.

During the Year, the Group has not recruited any child labour and no child labour has been identified previously.

## Operating Practices

### 4.5 Supply Chain Management

As the supply chain management is crucial to the Group's sustainable operations, the Group from time to time manages the quality of its suppliers by means of its 《供應商管理控制程序》 (Supplier Management and Control Procedures\*). An assessment team has been set up in each of the procurement departments of PRC production plants to assess the capability of supply of materials, qualities of materials and prices of materials of all potential suppliers and new suppliers designated by customers for the purpose of achieving fair, open and just selection of new suppliers.

In addition, each procurement department is responsible for ensuring that all current key suppliers comply with the following requirements:

- (a) to comply with all applicable laws and regulations in respect of their employment and operations, including occupational health and safety, environmental protection, and statutory maintenance of relevant records of documentation;
- (b) not to engage any corruption or take any undue advantage to obtain or retain business;
- (c) to protect intellectual property rights and safeguard customers' personal information;
- (d) not to engage any child or forced labour; and
- (e) not to discriminate age, gender, marital status, pregnancy, family status, race, nationality, religion and disability in employment.

These measures aim to manage the supply chain in a socially and environmentally responsible manner. In the event of any violation of such business integrity as corruption or extortion, the Group will take all appropriate actions for safeguarding its interest, including immediate termination of contract with the supplier in default. At the same time, the Group explicitly requires suppliers and contractors to comply with and implement applicable laws and regulations in the areas of operation, strictly control the impact of suppliers on the environment and society, and select suppliers with good performance to cooperate with, so as to manage the environmental and social risks of the supply chain. For example, the Group will consider whether the supplier has passed the ISO14001 certification for environmental management systems, whether it has environmental penalties, whether its business is in good operating condition, whether it complies with the relevant employment and labour standards, and whether it conducts regular monitoring or sampling tests on its products to ensure product quality and safety.

## Environmental, Social and Governance Report

Looking ahead, the Group will pay attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. The Group encourages its business partners and suppliers to conduct in-depth reviews of the risks posed by climate change to their operations and proactively identify potential challenges such as resource shortages, extreme climate events and changes in laws and regulations during supplier meetings from time to time. Through these efforts, the Group looks forward to working with its business partners and suppliers to advance sustainable development goals and create a healthier and safer environment for the future.

Number of key suppliers by geographical regions during the Year is as follows:

<b>Geographical</b>	<b>2025</b>	2024
Hong Kong	<b>130</b>	125
PRC	<b>485</b>	487
Others	<b>60</b>	59

### 4.6 Product Responsibility

During the Year, the Group adhered to the principle of “Quality First, Customer Foremost” by closely monitoring its production processes to ensure that the Group’s products could meet the needs and expectations of customers. The Group is also committed to the quality of its products that meets both the local and international standards, which not only helps maintain its brand image, but also enhances its market competitiveness.

To ensure the effectiveness of the quality management system, the Group maintains a quality management system that complies with ISO9001 standards and conducts internal audits and improvements on a regular basis. All manufacturing facilities in the PRC are accredited by IQNET Association — The International Certification Network (IQNet), China Quality Certification Centre (CQC) and Hong Kong Quality Assurance Agency (HKQAA), further demonstrating the Group’s commitment to quality management.

In terms of product testing, some PRC production plants have their own testing laboratories which have been certified by its customers and China National Accreditation Service for Conformity Assessment (CNAS). These laboratories can provide professional examinations and reports in respect of reliability and safety measures covering product mechanical, physical and chemical aspects, and certain electronic aspects, for ensuring fulfilment of both quality and safety standards at the stages of research and development (R&D) and production set out by the Group’s customers. Strong and reliable quality assurance not only helps to enhance customer trust and brand loyalty but also promotes the Group’s business growth and market expansion.

## Environmental, Social and Governance Report

In addition, the Group has clear procedures for handling product recalls and customer complaints, which are set out in 《產品召回程序》 (Product Recall Procedures\*) and 《處理客戶投訴程序》 (Customer Complaints Handling Procedures\*) respectively. These procedures are established to provide efficient after-sales services to maintain customer satisfaction. Prompt remediation of recalls or customer complaints will help lower down the costs and losses and enhance customer trust in the Group.

The Group has maintained product acceptance rate at almost 100% during the Year. No product recall due to safety or health reasons and no significant complaints in respect of product defects during the Year.

The Group strictly observes the provisions of Copyright Ordinance, Cap. 528 of the Laws of Hong Kong, and respects the protection of intellectual property rights. This is not only a legal responsibility, but also part of the Group's corporate culture. As per the Information Technology Policy, the Group's employees are expressly prohibited from installing any unauthorised or unlicensed software into their working computers provided by the Group and are strictly prohibited from using any materials that violate relevant laws to ensure legal compliance and respect for intellectual property rights throughout the organisation.

《敏感產品保密控制程序》 (Classified Products Confidentiality Control Procedures\*) have been implemented in PRC production plants. These procedures cover the responsibilities of responsible departments and personnel, execution of confidentiality agreement, classification and criteria of restricted areas, security management, information management, destruction of classified products, divulgence handling, record keeping, etc., and have formulated strict regulations to ensure that products maintain a high degree of confidentiality in each stage of R&D, processing, testing and delivery. These measures not only protect the Group's business secrets, but also enhance the trust of customers and partners in the Group.

In addition, the Group also respects privacy rights of its stakeholders, and a privacy policy statement is published on its website ([www.scholding.com](http://www.scholding.com)) to clearly state the principles followed by the Group when collecting and processing personal data. All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486 of the Laws of Hong Kong. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purpose and scope of collection, disclosure, retention and storage of personal data.

## Environmental, Social and Governance Report

The Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services. The Group conducts internal audits and training regularly to ensure that all employees understand and comply with these policies, further strengthening the Group's commitment to intellectual property and personal data protection and establishing a good reputation in the industry. These measures are not only legal requirements, but also a commitment of the Group to its customers and society, reflecting the importance the Group places on integrity and transparency.

### 4.7 Anti-corruption

The Group is committed to conducting its business activities legally and ethically and integrates this principle into the Group's daily operations. Code of Conduct clearly states that no employee shall solicit or give bribes, kickbacks or other benefits to anyone for any purpose. The Group has strict rules on the handling of gifts and other benefits valued at more than HK\$500 to ensure that all transactions comply with applicable laws and ethical standards.

In order to ensure the implementation of these standards, the Group has set up a dedicated internal audit department to review and audit business activities. The department's responsibilities include not only checking compliance, but also evaluating the efficiency and transparency of business processes to ensure that the Group's operations always meet the company's ethical standards and legal requirements.

The Group's PRC production plants have formulated 《員工行為準則政策與程序》 (Employee Code of Conduct Policies and Procedures\*) by reference to the provisions of Code of Conduct, which places emphasis on compliance with the relevant laws, e.g. Prevention of Bribery Ordinance, Cap. 201 of the Laws of Hong Kong, integrity maintenance, and explicit prohibition from involvement of any bribes, kickbacks or other improper behavior. During the Year, there were no confirmed incidents in relation to corruption and no suppliers' contracts were terminated or not renewed due to corruption, reflecting the Group's efforts in maintaining integrity and transparency, as well as employees' compliance with the Employee Code of Conduct Policies and Procedures. The Group will continue to strengthen internal training and supervision to ensure that all employees fully understand and follow these guidelines in order to maintain the Company's good reputation and the long-term sustainable development of its business.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website ([www.scholding.com](http://www.scholding.com)). Any complainant may raise his/her complaints against inappropriate and unlawful behaviour or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Head of Group Internal Audit, without the fear of incrimination. The Head of Group Internal Audit will review and evaluate the complaints and then determine the mode of investigation.

## Environmental, Social and Governance Report

If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Head of Group Internal Audit will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on a biannual basis to ensure transparency and accountability.

To further enhance anti-corruption awareness and practice, the Group provides relevant information such as anti-corruption policies in internal communications and host regular trainings delivered by representatives from regulators and professionals to all Directors and employees in regards to anti-corruption policies and procedures to help maintain the best industry practices, and ensure that all employees have the necessary knowledge and skills to effectively deal with potential corruption.

### Community

#### 4.8 Community Investment

As a responsible corporate citizen, the Group leverages its expertise and resources to support those in need, organizing charitable events and donating funds to local organizations. Our commitment to social responsibility is demonstrated not only through financial support but also through active employee participation and community interaction. In recognition of these continuous contributions, the Company has been consecutively conferred the “Caring Company” logo by The Hong Kong Council of Social Services. During the Year, the Group supported numerous charitable organizations and facilitated “Food Re-Distribution” activities for the underprivileged.

The Group is a keen supporter of youth development in Hong Kong and is committed to providing resources that help young people realise their potential. To this end, the Company served as the title sponsor of the “South China Group 22nd Asian Junior Squash Team Championships 2025.” This esteemed regional competition, held from 12 to 16 February 2025, featured Asia’s premier junior squash teams and served as a key platform for fostering regional talent. By working closely with worthwhile organizations, we continue to create opportunities for the next generation to contribute to the future prosperity of society.

In addition to social initiatives, the Group is a dedicated supporter of a healthy and green community. We firmly believe that through active community involvement and robust environmental protection measures, we can promote sustainable development and bring a greater positive impact to society.

# Independent Auditor's Report



## Independent auditor's report to the shareholders of South China Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of South China Holdings Company Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 92 to 209, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 (“HKASs”) as 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”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$1,463,820,000 for the year ended 31 December 2025 and as at that date, had net current liabilities of HK\$1,529,216,000. Subsequent to 31 December 2025, the Group defaulted repayments for the outstanding principal amounts totalling HK\$2,541,891,000 of certain bank borrowings. The Group is currently in discussions with its lending banks as part of its financial restructuring plan to extend the maturity dates of the bank borrowing and to revise the repayment schedules and seeking buyers for its properties, amongst others. As stated in note 2.1, these conditions, along with other matters set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Valuation of investment properties and investment properties classified as held for sale</b>	
Refer to notes 13 and 42 to the consolidated financial statements and the accounting policies notes 2.4(h) and 2.4(dd).	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group holds a portfolio of investment properties located in Hong Kong and in certain cities across Chinese Mainland. The carrying value of these properties (including those under development and classified as held for sale) amounted to HK\$8,301 million as at 31 December 2025.</p> <p>Investment properties are stated at fair value. The fair values of the investment properties as at 31 December 2025 were assessed by the board of directors primarily based on valuations prepared by qualified property valuers which take into account current rents or hypothetical rents and the reversionary potential of the tenancies of each property or comparable sales evidence as available in the relevant markets, where appropriate. The net changes in fair value of investment properties (including those under development and classified as held for sale) recognised in the consolidated statement of profit or loss amounted to HK\$1,163 million for the year ended 31 December 2025.</p> <p>We identified the valuation of the Group's investment properties and investment properties classified as held for sale as a key audit matter because these properties represent the majority of the Group's total assets and a small percentage error in the valuation of individual investment properties, when aggregated, could have a significant impact on the Group's loss before taxation for the year and because the valuations are inherently subjective and require significant judgement and estimates, particularly in selecting the appropriate valuation methodology and in determining market unit prices.</p>	<p>Our audit procedures to assess the valuation of the Group's investment properties and investment properties classified as held for sale included the following:</p> <ul style="list-style-type: none"> <li>obtaining and inspecting the valuation reports prepared by the qualified property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based;</li> <li>meeting the qualified property valuers, without the presence of management, and discussing the valuation methodology adopted with reference to the requirements of the prevailing accounting standards, challenging the key estimates and assumptions adopted in the valuations and assessing the qualified property valuers' qualifications, expertise and objectivity; and</li> <li>with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the valuation of investment properties, on a sample basis, including those relating to market unit prices, with available market data and government produced market statistics.</li> </ul>

## Independent Auditor's Report

### KEY AUDIT MATTERS (Continued)

<b>Assessing the net realisable value of properties under development/completed properties for sale</b>	
Refer to notes 16 and 17 to the consolidated financial statements and the accounting policies note 2.4(t)(ii).	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at 31 December 2025, the Group held properties under development/completed properties for sale in Chinese Mainland, which were stated at the lower of cost and net realisable value at an aggregate amount of HK\$666 million.</p> <p>The calculation of the net realisable value of properties under development/completed properties for sale was assessed by the board of directors, and with reference to the valuation prepared by a qualified property valuer for the properties under development. Such calculation involves significant management judgement in assessing the expected future selling prices for each property (with reference to recent sales transactions in nearby locations and rates of new property sales).</p> <p>We identified the assessment of net realisable value of the Group's properties under development/completed properties for sale as a key audit matter because of the inherent risks involved in estimating future selling prices of each property development project.</p>	<p>Our audit procedures to assess the net realisable value of properties under development/completed properties for sale included the following:</p> <ul style="list-style-type: none"> <li>• assessing the qualifications and experience of the management and/or the qualified property valuer;</li> <li>• obtaining and inspecting management's valuation assessment and/or the valuation reports prepared by the qualified property valuer engaged by the Group and on which the management's assessment of the net realisable value of properties under development/completed properties for sale was based;</li> <li>• discussing with management and/or the qualified property valuer their valuation methodologies adopted with reference to the requirements of the prevailing accounting standards; and</li> <li>• with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the valuations, on a sample basis, including those relating to expected future selling prices, with available market data.</li> </ul>

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

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

## **RESPONSIBILITIES OF 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 HKFRS Accounting Standards as 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

### **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, 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 HKSAAs 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 HKSAAs, 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)*

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Tsui Kin Wa (practicing certificate number: P07324).

**KPMG**

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

25 March 2026

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Revenue</b>	4	<b>2,178,718</b>	3,231,529
Cost of sales		<b>(2,019,035)</b>	(2,755,686)
<b>Gross profit</b>		<b>159,683</b>	475,843
Other income and gains, net	5	<b>202,284</b>	258,869
Net fair value loss on investment properties inclusive of investment properties presented as non-current assets classified as held for sale	13(a)	<b>(1,162,566)</b>	(81,920)
Selling and distribution expenses		<b>(36,572)</b>	(44,218)
Administrative expenses		<b>(460,160)</b>	(310,260)
<b>(Loss)/profit from operations</b>		<b>(1,297,331)</b>	298,314
Finance costs	7	<b>(213,108)</b>	(248,252)
<b>(Loss)/profit before tax</b>	6	<b>(1,510,439)</b>	50,062
Income tax credit/(expense)	10	<b>46,619</b>	(37,885)
<b>(Loss)/profit for the year</b>		<b>(1,463,820)</b>	12,177
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,447,769)</b>	696
Non-controlling interests		<b>(16,051)</b>	11,481
		<b>(1,463,820)</b>	12,177
<b>(Loss)/earnings per share</b>	11		
Basic		<b>HK(11.2) cents</b>	HK0.01 cents
Diluted		<b>HK(11.2) cents</b>	HK0.01 cents

The notes on pages 101 to 209 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	2025 \$'000	2024 \$'000
<b>(Loss)/profit for the year</b>	<b>(1,463,820)</b>	12,177
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	–	27,324
Exchange differences on translation of financial statements of operations outside Hong Kong, net of nil tax	<b>290,384</b>	(211,854)
Exchange reserve realised upon disposal of subsidiaries	<b>(28,003)</b>	–
<b>Other comprehensive income for the year</b>	<b>262,381</b>	(184,530)
<b>Total comprehensive income for the year</b>	<b>(1,201,439)</b>	(172,353)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(1,206,016)</b>	(169,743)
Non-controlling interests	<b>4,577</b>	(2,610)
	<b>(1,201,439)</b>	(172,353)

The notes on pages 101 to 209 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	360,232	430,689
Investment properties	13	8,254,416	9,192,767
Construction in progress		152	145
Investment in a joint venture		—	285
Bearer plants		11,991	14,457
Other non-current assets	14	44,498	151,853
<b>Total non-current assets</b>		<b>8,671,289</b>	9,790,196
<b>CURRENT ASSETS</b>			
Inventories	16	693,852	720,711
Properties under development	17	248,811	237,229
Trade receivables	18	353,783	399,041
Prepayments, deposits and other receivables	19	1,244,060	1,138,155
Financial assets measured at fair value through profit or loss		7,069	6,643
Amount due from a non-controlling shareholder of a subsidiary	28	29,611	29,611
Amounts due from associates	20	4,145	5,145
Amounts due from related parties	25	12,893	16,964
Tax recoverable		1,286	759
Cash and bank balances	21	220,649	621,514
		<b>2,816,159</b>	3,175,772
Non-current assets classified as held for sale	42	59,654	—
<b>Total current assets</b>		<b>2,875,813</b>	3,175,772
<b>CURRENT LIABILITIES</b>			
Trade payables	22	576,477	699,173
Other payables and accruals	23	661,941	499,745
Interest-bearing bank borrowings	24	2,952,267	2,073,370
Lease liabilities	27	59,691	60,638
Amounts due to non-controlling shareholders of subsidiaries	28	928	10,199
Amounts due to related parties	26	71,562	—
Tax payable		82,163	71,091
<b>Total current liabilities</b>		<b>4,405,029</b>	3,414,216

## Consolidated Statement of Financial Position

As at 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>NET CURRENT LIABILITIES</b>		<b>(1,529,216)</b>	<b>(238,444)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,142,073</b>	<b>9,551,752</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	24	272,222	1,597,999
Lease liabilities	27	221,090	265,344
Amounts due to non-controlling shareholders of subsidiaries	28	107	107
Amounts due to related parties	26	653,188	504,904
Other non-current liabilities	29	23,564	22,475
Deferred tax liabilities	30	1,026,271	1,043,461
<b>Total non-current liabilities</b>		<b>2,196,442</b>	<b>3,434,290</b>
<b>NET ASSETS</b>		<b>4,945,631</b>	<b>6,117,462</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	31(a)	134,413	134,413
Reserves	33	4,498,308	5,693,128
Total equity attributable to equity shareholders of the Company		4,632,721	5,827,541
Non-controlling interests		312,910	289,921
<b>TOTAL EQUITY</b>		<b>4,945,631</b>	<b>6,117,462</b>

Approved and authorised for issue by the board of directors on 25 March 2026.

**Cheung Choi Ngor**  
Director

**Ng Yuk Yeung Paul**  
Director

The notes on pages 101 to 209 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company																	
	Share capital		Share premium	Contributed surplus	Capital redemption reserve	Merger reserve	Land and buildings revaluation reserve	PRC statutory reserves	Treasury shares	Shares held for Share Award Scheme	Employee share-based compensation reserve <sup>#</sup>	Goodwill reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
Ordinary shares	Redeemable convertible preference shares	\$'000																
<b>At 1 January 2024</b>	132,213	2,200	1,482,177	508,172	223	(1,603,030)	59,509	10,965	(10,837)	(61,075)	4,985	(3,067)	(301,201)	56,612	5,719,438	5,997,284	292,531	6,289,815
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	696	696	11,481	12,177
<b>Other comprehensive income for the year:</b>																		
Exchange differences on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	-	-	-	-	-	(197,763)	-	-	(197,763)	(14,091)	(211,854)	
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	-	-	27,324	-	-	-	-	-	-	-	-	27,324	-	27,324
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	27,324	-	-	-	-	(197,763)	-	-	696	(169,743)	(2,610)	(172,353)
<b>At 31 December 2024</b>	132,213	2,200	1,482,177	508,172	223	(1,603,030)	86,833	10,965	(10,837)	(61,075)	4,985	(3,067)	(498,964)	56,612	5,720,134	5,827,541	289,921	6,117,462

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company																		
	Share capital		Share premium	Contributed surplus	Capital redemption reserve	Merger reserve	Land and buildings revaluation reserve	PRC statutory reserves	Treasury shares	Shares held for Share Award Scheme	Employee share-based compensation reserve <sup>#</sup>	Goodwill reserve	Exchange reserve	Other reserve	Retained profits	Non-controlling interests	Total equity		
	Ordinary shares	Redeemable convertible preference shares																	
	\$'000	\$'000																	
At 1 January 2025	132,213	2,200	1,482,177	508,172	223	(1,603,030)	86,833	10,965	(10,837)	(61,075)	4,985	(3,067)	(498,964)	56,612	5,720,134	5,827,541	289,921	6,117,462	
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,447,769)	(1,447,769)	(16,051)	(1,463,820)	
Other comprehensive income for the year:																			
Exchange differences on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	-	-	-	-	-	-	269,756	-	-	269,756	20,628	290,384	
Release of reserves upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(28,003)	-	-	(28,003)	-	-	(28,003)	
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	241,753	-	(1,447,769)	(1,206,016)	4,577	(1,201,439)	
Lapse of share options	-	-	-	-	-	-	-	-	-	-	(4,985)	-	-	-	4,985	-	-	-	
Disposal of subsidiaries	-	-	-	(792)	-	-	(315)	(9,812)	-	-	-	-	-	11,196	10,919	11,196	18,412	29,608	
At 31 December 2025	132,213	2,200	1,482,177	507,380	223	(1,603,030)	86,518	1,153	(10,837)	(61,075)	-	(3,067)	(257,211)	67,808	4,288,269	4,632,721	312,910	4,945,631	

Merger reserve arose from the Group reorganisation in 1992 and the business combinations under common control in respect of the acquisitions of certain fellow subsidiaries in 2007 and certain related companies ultimately controlled by the substantial shareholder of the Company in 2011 and 2013.

# Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

The notes on pages 101 to 209 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Operating activities</b>			
(Loss)/profit before tax		<b>(1,510,439)</b>	50,062
Adjustments for:			
Finance costs	7	<b>213,108</b>	248,252
Interest income	5	<b>(2,941)</b>	(3,458)
Gain on disposal of items of property, plant and equipment	5	<b>(23,948)</b>	(3,359)
Impairment loss on investment in a joint venture		<b>285</b>	–
Gain on disposal of other non-current assets	5	<b>–</b>	(6,185)
Loss on deregistration of a subsidiary		<b>659</b>	–
Gain on disposal of subsidiaries	5	<b>(67,561)</b>	(121,793)
Gain on lease termination	12	<b>(4,612)</b>	(399)
Net fair value loss on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		<b>1,162,566</b>	81,920
Fair value gain on financial assets measured at fair value through profit or loss		<b>(254)</b>	(1,066)
Fair value loss on foreign exchange forward contracts	6	<b>–</b>	8,763
Provision/(reversal) of impairment loss on other non-current assets	6	<b>2,811</b>	(127)
Credit loss on other receivables	6	<b>363</b>	–
Credit loss on trade receivables, net	6	<b>10,392</b>	1,483
Write-back of trade payables	5	<b>–</b>	(13,389)
Write-back of other payables	5	<b>–</b>	(16,981)
Recognition/(reversal) of write-down of inventories, net	6	<b>28,900</b>	(3,897)
Write-off of bearer plants	5	<b>1,932</b>	404
Depreciation	6	<b>101,775</b>	99,760
Adjustment from lease modification	12	<b>–</b>	(2,747)
Changes in working capital:			
Decrease in inventories		<b>14,930</b>	55,553
Increase in properties under development		<b>(735)</b>	(2,091)
Decrease/(increase) in trade receivables		<b>42,307</b>	(24,838)
Decrease/(increase) in prepayments, deposits and other receivables and foreign exchange forward contracts		<b>54,874</b>	(43,929)
Increase in amount due from a non-controlling shareholder of a subsidiary		<b>–</b>	(30,254)
Decrease in amounts due from related parties		<b>2,462</b>	12,295
(Decrease)/increase in trade payables		<b>(119,867)</b>	216,242
Increase/(decrease) in other payables and accruals and foreign exchange forward contracts		<b>177,727</b>	(42,798)

## Consolidated Cash Flow Statement

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash generated from operations</b>		<b>84,734</b>	457,423
Hong Kong Profits Tax paid		<b>(4,032)</b>	(7,697)
The People's Republic of China ("PRC") corporate income tax paid		<b>(5,595)</b>	(7,281)
<b>Net cash generated from operating activities</b>		<b>75,107</b>	442,445
<b>Investing activities</b>			
Payment for the purchase of items of property, plant and equipment		<b>(43,883)</b>	(32,516)
Additions to investment properties		<b>(902)</b>	(971)
Repayment from associates		<b>1,000</b>	–
Interest received		<b>1,950</b>	2,458
Proceeds from disposal of items of property, plant and equipment		<b>42,477</b>	3,579
Net cash outflow from disposals of subsidiaries		<b>(138)</b>	–
Proceeds from disposal of financial assets measured at fair value through profit or loss and other non-current assets		–	10,100
<b>Net cash generated from/ (used in) investing activities</b>		<b>504</b>	(17,350)

## Consolidated Cash Flow Statement

For the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Financing activities</b>			
Proceeds from new bank loans	21	2,904,652	4,292,469
Repayment of bank loans	21	(3,326,446)	(4,356,408)
Decrease in trust receipt loans	21	(32,400)	(27,181)
Interest and other borrowing costs paid	21	(169,454)	(230,003)
Increase in amounts due to related parties	21	218,708	121,000
Repayment of amounts due to related parties	21	–	(57,000)
Increase in pledged bank deposits		–	(10,808)
Increase in amounts due to non-controlling shareholders of subsidiaries	21	–	105
Capital element of lease rentals paid	21	(59,331)	(56,219)
Interest element of lease rentals paid	21	(20,036)	(21,892)
<b>Net cash used in financing activities</b>		<b>(484,307)</b>	<b>(345,937)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(408,696)</b>	<b>79,158</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>579,375</b>	<b>506,245</b>
<b>Effect of foreign exchange rate changes, net</b>		<b>5,658</b>	<b>(6,028)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>176,337</b>	<b>579,375</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	21	220,649	621,514
Less: Pledged bank deposits	24	(43,941)	(42,139)
Bank overdrafts	24	(371)	–
<b>Cash and cash equivalents as stated in the consolidated cash flow statement</b>		<b>176,337</b>	<b>579,375</b>

The notes on pages 101 to 209 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, property investment and development, and agriculture and forestry.

### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “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 (the “Listing Rules”). Material accounting policies adopted by the Group are disclosed below. These financial statements are presented in Hong Kong dollars and all figures are rounded to the nearest thousand (“\$’000”) unless otherwise indicated.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 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 period reflected in these financial statements.

#### **Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s investments in associates and a joint venture.

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 values as explained in the accounting policies set out below:

- investment properties, including interests in freehold or leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 2.4(h));
- financial assets measured at fair value through profit or loss (“FVPL”) (see note 2.4(d)); and
- derivative financial instruments (see note 2.4(s)).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.1 STATEMENT OF COMPLIANCE (Continued)

#### **Basis of preparation of the financial statements (Continued)**

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Group incurred a net loss of \$1,463,820,000 for the year ended 31 December 2025 and as at that date, had net current liabilities of \$1,529,216,000 with bank borrowings amounted to \$2,952,267,000 due within twelve months from 31 December 2025 or on demand, while its cash and cash equivalents amounted to \$176,337,000 only.

Included in current borrowings as at 31 December 2025 were certain bank borrowings of \$2,541,891,000 of which the Group defaulted repayments for the outstanding principal amounts subsequent to 31 December 2025 (see note 24(d)). Such non-repayment constituted an event of default under the loan agreements. If the bank requests immediate repayment of the borrowings and the Group cannot fulfil the request, the bank is entitled to take possession of the Group's investment properties and property, plant and equipment totalling HK\$2,304,745,000 securing the borrowings.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity of the Group and its available sources of finance in assessing the Group's ability to continue as a going concern. The directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least twelve months from 31 December 2025. Certain plans and measures have been or will be taken to mitigate the Group's liquidity pressures and to improve the Group's financial position which include, but not limited to, the following:

- (i) The Group is currently in discussions with its lending banks as part of its financial restructuring plan to extend the maturity dates of the bank borrowings and to revise the repayment schedules.
- (ii) The Group is seeking potential buyers to acquire its properties strengthen its liquidity position.
- (iii) The Group will continue to implement measures to accelerate sales and collection of sales proceeds from sales of merchandise from trading and manufacturing businesses and sales of completed properties and rentals from the property investment and development businesses.
- (iv) The Group will continue to take active measures to control administrative and operating costs.

### 2.1 STATEMENT OF COMPLIANCE *(Continued)*

#### **Basis of preparation of the financial statements *(Continued)***

The directors are of the opinion that, assuming the success of the above-mentioned plans and measures, the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The preparation of financial statements in conformity with HKFRS Accounting Standards 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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### 2.2 CHANGES IN ACCOUNTING POLICIES

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures — Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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 except for the following:

#### **HKFRS 18, *Presentation and disclosure in financial statements***

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### (a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interest (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2.4(n) or (o) depending on the nature of the liability.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(m)(ii)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (b) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates or joint ventures are accounted for using the equity method, unless they are classified as held for sale (or included in a disposal group that is classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 investments in associate or joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2.4(m)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2.4(m)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(c) Business combinations and goodwill**

Business combinations, other than combinations of businesses under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.4(v). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.4(v).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of the consideration transferred, the amount recognised for non-controlling interests and the fair value the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses (see note 2.4(m)(ii)). Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (d) Other investments in equity securities

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

Investments in 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 FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

##### Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see note 2.4(x)(ii)(b)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial assets was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to 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.

##### 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 irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 2.4(x)(ii)(c)).

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(e) Fair value measurement**

The Group measures its investment properties, financial assets measured at FVPL and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1, based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (f) Related parties

- (a) 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.
- (b) 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) the entity and the Group 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 (a);
  - (vii) a person identified in (a)(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.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (g) Property, plant and equipment (including bearer plants) and depreciation

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and impairment losses (see note 2.4(m)(ii)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including bearer plants and right-of-use assets arising from leases of underlying plant and equipment (see note 2.4(j)).

Certain leasehold land and buildings are stated in the consolidated statement of financial position at amounts based on revaluations performed prior to 30 September 1995, less subsequent accumulated depreciation and amortisation and any impairment losses.

In accordance with the transitional provisions of paragraph 80A of HKAS 16, *Property, plant and equipment*, the Group's land and buildings which were carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to be revalued regularly. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation surplus arising on the revaluation of these assets was credited to the land and buildings revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2.4(z)).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (g) Property, plant and equipment (including bearer plants) and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life/principal annual rates used for this purpose are as follows:

— Ownership interests in land and buildings held for own use	Over the shorter of the lease terms and 2% to 5%
— Other properties leased for own use	Over the unexpired periods of the leases
— Furniture and leasehold improvements	Over the shorter of the lease terms, where applicable, and 20%
— Machinery and equipment	10% to 25%
— Moulds and tools	20% to 25%
— Motor vehicles and vessels	20% to 25%
— Bearer plants	2% to 5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (h) Investment properties

Investment properties are initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of an investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 2.4(x)(ii)(a).

#### (i) Agricultural produce

Agricultural produce comprises winter date, lychee, pear, apple and other fruits on fruit trees.

Winter date, lychee, pear, apple and other fruits harvested from fruit trees are measured at their fair values less costs to sell at the time of harvest. The fair values of winter date, lychee, pear, apple and other fruits are determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2, *Inventories*.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Fair value represents the estimated selling price that the Group can obtain from selling such inventories in the market on an arm's length basis.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short 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 item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as incurred.

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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4(g) and 2.4(m)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value (see note 2.4(h)); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value (see note 2.4(t)).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (j) Leased assets (Continued)

##### (i) As a lessee (Continued)

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 if the Group changes its assessment of whether it will 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 lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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.

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.

##### (ii) As a lessor

The Group 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. Otherwise, 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 2.4(x)(ii)(a).

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 2.4(j)(i), then the Group classifies the sub-lease as an operating lease.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(k) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration and 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 2.4(m)(i)).

#### **(l) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from associates and related parties); and
- lease receivables.

Other financial assets measured at fair value, including financial assets measured at FVPL, equity securities measured at FVPL and derivative financial instruments, are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from associates and related parties: effective interest rate determined at initial recognition or an approximation thereof;
- lease receivables: discount rate used in the measurement of the lease receivables.

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowance for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(m) Credit losses and impairment of assets *(Continued)***

##### *(i) Credit losses from financial instruments and lease receivables *(Continued)**

###### *Significant increases in credit risk*

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

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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.

###### *Credit-impaired financial assets*

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.

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;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (m) Credit losses and impairment of assets (Continued)

##### (i) Credit losses from financial instruments and lease receivables (Continued)

###### Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off 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.

##### (ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than properties carried at revalued amounts, investment properties, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(m) Credit losses and impairment of assets *(Continued)***

##### *(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 2.4(m)(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.

#### **(n) 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.

#### **(o) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2.4(z).

#### **(p) Contract liabilities**

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.4(x)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2.4(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.4(x)(ii)(b)).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (q) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### (r) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (s) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

#### (t) Inventories

##### (i) Trading and manufacturing of goods

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### (t) Inventories *(Continued)*

#### (ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Property under development for sale*

Cost of properties comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate portion of overheads and borrowing costs capitalised (see note 2.4(z)) and any other costs incurred in bringing the properties to their present location and condition.

Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the completed properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### (u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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 (see note 2.4(m)(i)).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (v) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2.4(m)(ii)).

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.

#### (w) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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;

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(w) Income tax *(Continued)***

- temporary differences related to investments in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 1(h), 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 measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset only if certain criteria are met.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### (x) Revenue and other income

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

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

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

- (a) sales of goods — revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis;
- (b) sales of properties — revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised on the basis that control over ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2.4(p)) included in other payables and accruals; and
- (c) service income and management fee income — revenue is recognised when services are rendered.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(x) Revenue and other income *(Continued)***

##### *(ii) Revenue from other sources and other income*

- (a) rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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;
- (b) interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis;
- (c) dividend income is recognised in profit or loss on the date on which the Group’s right to receive payment is established; and
- (d) 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.

#### **(y) Employee benefits**

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (y) Employee benefits (Continued)

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

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central defined contribution retirement scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central defined contribution retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central defined contribution retirement scheme.

##### (ii) Defined benefit plan obligations

The Group has the following two categories of defined benefit plans:

- defined benefit retirement plans registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO plans")
- Long Service Payment ("LSP") under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For ORSO plans, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's Mandatory Provident Fund contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed using the projected unit credit method. For ORSO plans, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in ORSO plans (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(y) Employee benefits *(Continued)***

##### *(iii) Termination benefits*

The Group carries a provision for severance payment in accordance with the relevant regulations in Chinese Mainland. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

##### *(iv) Share-based payment transactions*

###### *— Share option scheme and share award scheme*

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants of the Company's own equity instruments is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 32 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and awarded shares that are vested (with a corresponding adjustment to the employee share-based compensation reserve).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

#### (y) Employee benefits (Continued)

##### (iv) Share-based payment transactions (Continued)

###### — Share option scheme and share award scheme (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The equity amount for the share options is recognised in the employee share-based compensation reserve until either the option is exercised (whereupon it is transferred to share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

###### — Shares held for Share Award Scheme

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as “shares held for Share Award Scheme” and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average costs of the awarded shares vested are credited to “shares held for Share Award Scheme” and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss from disposal of revoked shares is transferred to retained profits and not recognised in profit or loss.

Where cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, such cash dividend or fair value of the non-cash dividend is transferred to retained profits with no gain or loss recognised in profit or loss.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(y) Employee benefits *(Continued)***

##### **(iv) Share-based payment transactions *(Continued)***

###### — Share option scheme and share award scheme *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### **(z) 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.

#### **(aa) Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(aa) Foreign currencies *(Continued)***

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in OCI and accumulated in the exchange reserve. On disposal of an operation outside Hong Kong, the component of OCI relating to that particular operation is recognised in profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **(bb) 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.

#### **(cc) Preference share capital**

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **(dd) Non-current assets held for sale**

Non-current assets, or disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, property, plant and equipment are no longer depreciated.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following significant accounting judgements and estimates:

#### **(i) Estimation of fair value of investment properties (including investment properties classified as held for sale)**

At the end of each reporting period, investment properties are stated at fair value based on the valuations performed by independent professionally qualified valuers. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual results. In making estimation, information from current prices in an active market for similar properties has been considered and assumptions that are mainly based on the existing market conditions have been applied. Further details, including the key assumptions used for fair value measurement of investment properties are given in note 13 to the financial statements.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### (ii) Estimated net realisable value of properties under development/completed properties for sale

In determining whether provisions should be made to the Group's properties under development/completed properties for sale, management performed a regular review on the carrying amounts of the properties under development/completed properties for sale. Based on the review of management, write-down of properties under development/completed properties for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of properties under development/completed properties for sale, management refers to prevailing market data such as recent sales transactions, and/or the valuation reports prepared by the independent professionally qualified property valuers engaged by the Group, as bases for evaluation. No provision for losses was made for both the current and prior years.

#### (iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

### 4 REVENUE AND SEGMENT REPORTING

#### (A) Revenue

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sales of properties, the value of services rendered and gross rental income received and receivable from investment properties during the year.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (A) Revenue (Continued)

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2025 \$'000	2024 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
— Sale of merchandise from trading and manufacturing businesses	1,974,209	3,007,310
— Sale of completed properties	33,825	51,436
— Sale of agricultural produce	919	891
	<b>2,008,953</b>	3,059,637
<b>Revenue from other sources</b>		
— Gross rentals from investment properties	169,765	171,892
	<b>2,178,718</b>	3,231,529

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(B).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At 31 December 2025, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's property development project in Chinese Mainland pending transfer of control amounted to \$6,462,000 (2024: \$3,935,000) which will be recognised when the pre-sold properties are accepted by the customers. The Group will recognise the expected revenue in future on the basis that control over ownership of the property has been passed to the customer, which is expected to occur within the next twelve months.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (A) Revenue (Continued)

- (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date (Continued)

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to its sale of merchandise from trading and manufacturing business and sale of agricultural produce to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date with performance obligation is part of a contract that has an original expected duration of one year or less.

#### (B) Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (i) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;
- (ii) the property investment and development segment is engaged in property investment and development;
- (iii) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural produces; and
- (iv) the others segment mainly comprises, principally, the Group's investment holding related management functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that share of profits and losses of associates and a joint venture and finance costs are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (B) Segment reporting (Continued)

##### (a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2025 and 2024.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Total	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
<b>Segment revenue</b>										
External sales	1,974,209	3,007,310	203,590	223,328	919	891	–	–	2,178,718	3,231,529
<b>Segment results</b>	(189,854)	202,646	(1,118,336)	16,520	(18,478)	(10,728)	29,337	89,876	(1,297,331)	298,314
Reconciliation:										
— Finance costs									(213,108)	(248,252)
<b>(Loss)/profit before tax</b>									(1,510,439)	50,062

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (B) Segment reporting (Continued)

##### (a) Business segments (Continued)

	Note	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Total	
		2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
<b>Segment assets</b>		1,118,098	1,579,405	10,107,388	11,027,335	127,998	154,120	192,332	204,064	11,545,816	12,964,924
Reconciliation:											
— Investment in a joint venture										–	285
— Tax recoverable										1,286	759
<b>Total assets</b>										11,547,102	12,965,968
<b>Segment liabilities</b>		2,512,674	2,764,191	951,871	921,521	115,751	131,342	1,912,741	1,916,900	5,493,037	5,733,954
Reconciliation:											
— Tax payable										82,163	71,091
— Deferred tax liabilities										1,026,271	1,043,461
<b>Total liabilities</b>										6,601,471	6,848,506
<b>Other segment information:</b>											
Capital expenditure		55,837	80,380	913	971	1,332	575	632	29	58,714	81,955
Depreciation		53,215	51,881	6,826	5,612	25,338	25,634	16,396	16,633	101,775	99,760
Recognition/(reversal) of write-down of inventories, net	6 & 16	28,900	(3,897)	–	–	–	–	–	–	28,900	(3,897)
(Reversal)/recognition of credit loss on trade receivables, net	6 & 18	(11)	48	10,403	1,435	–	–	–	–	10,392	1,483
Recognition/(reversal) of impairment loss on other non-current assets	6	1,374	–	1,437	–	–	–	–	(127)	2,811	(127)
Credit loss on other receivables	6	–	–	–	–	–	–	363	–	363	–
Write-off of bearer plants	5	–	–	–	–	1,932	404	–	–	1,932	404

Capital expenditure consists of the amounts incurred for the additions to property, plant and equipment and investment properties, including the deposits and amounts prepaid for the above.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (B) Segment reporting (Continued)

(b) Geographical segments

(i) Revenue from external customers

	2025 \$'000	2024 \$'000
PRC including Hong Kong and Macau	284,265	333,570
The United States of America	1,064,753	1,866,954
Europe	537,805	731,234
Japan	17,570	21,721
Others	274,325	278,050
	<b>2,178,718</b>	<b>3,231,529</b>

The revenue information above is based on the destination to which goods and services are delivered.

(ii) Non-current assets

	2025 \$'000	2024 \$'000
Hong Kong	2,544,257	3,407,355
Chinese Mainland	6,073,010	6,230,113
Others	37,345	48,406
	<b>8,654,612</b>	<b>9,685,874</b>

The non-current assets information above is based on the location of assets, and excludes certain other non-current assets.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT REPORTING (Continued)

#### (B) Segment reporting (Continued)

##### (b) Geographical segments (Continued)

- (iii) Information about major customers with revenue derived from whom amounted to 10% of the Group's revenue or above

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2025 \$'000	2024 \$'000
Customer A	504,272	1,569,312
Customer B	307,853	N/A*
Customer C	N/A*	332,780

\* The corresponding revenue did not contribute over 10% of the total revenue for the Group.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 5 OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Note	2025 \$'000	2024 \$'000
Bank interest income		1,638	2,200
Other interest income		1,303	1,258
Write-back of trade payables		—	13,389
Write-back of other payables		—	16,981
Gain on disposal of items of property, plant and equipment		23,948	3,359
Gain on disposal of other non-current assets		—	6,185
Gain on disposal of subsidiaries	41	67,561	121,793
Write-off of bearer plants		(1,932)	(404)
Subsidy income from government		8,075	9,328
Income from sale of scrap materials		2,531	2,054
Compensation income (note)		61,769	30,254
Others		37,391	52,472
		<b>202,284</b>	<b>258,869</b>

Note:

During the year ended 31 December 2025, the Group received a compensation amounting to approximately \$61,769,000 in related to breach of contract for the acquisition of land use right in the PRC.

During the year ended 31 December 2024, a final judgment had been made on the legal proceedings filed by a non wholly-owned subsidiary of the Company against its minority shareholder and shareholders of its minority shareholder, who were liable to a compensation payment to the non wholly-owned subsidiary amounting to approximately \$30,254,000.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6 (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Note	2025 \$'000	2024 \$'000
Cost of inventories sold		1,961,260	2,708,440
Cost of completed properties sold		28,875	42,380
Depreciation			
— owned property, plant and equipment	12	31,558	31,459
— bearer plants		1,154	1,252
— right-of-use assets	12	69,063	67,049
		101,775	99,760
Auditor's remuneration			
— audit services		3,995	3,933
— non-audit services		120	126
		4,115	4,059
Employee benefits expenses (including directors' remuneration (note 8)):			
Contributions to defined contribution retirement schemes*		36,043	42,183
Salaries, wages and other benefits		705,339	805,605
		741,382	847,788
Less: Employee benefits expenses capitalised to properties under development:			
Contributions to defined contribution retirement scheme		(28)	(76)
Salaries, wages and other benefits		(84)	(203)
		741,270	847,509
Gross rental income from investment properties		(169,765)	(171,892)
Less: Direct operating expenses		21,710	22,802
		(148,055)	(149,090)
Net rental income		(148,055)	(149,090)
Credit loss on trade receivables, net	18	10,392	1,483
Recognition/(reversal) of write-down of inventories, net**	16	28,900	(3,897)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6 (LOSS)/PROFIT BEFORE TAX (Continued)

	2025 \$'000	2024 \$'000
Recognition/(reversal) of impairment loss on other non-current assets	2,811	(127)
Credit loss on other receivables	363	–
Fair value loss on foreign exchange forward contracts***	–	8,763
Exchange loss/(gain), net	43,282	(12,689)

\* At 31 December 2025 and 2024, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement schemes in future years.

\*\* The amount (included in cost of sales) represents the net change recognised in respect of provision against inventories to write down the inventories to their estimated net realisable values.

\*\*\* Fair value loss on foreign exchange contracts of nil (2024: \$8,763,000) was included in cost of sales.

### 7 FINANCE COSTS

An analysis of finance costs is as follows:

	2025 \$'000	2024 \$'000
Interest on bank loans, overdrafts and other borrowings	164,974	226,360
Interest on amounts due to related parties	28,098	–
Interest on lease liabilities	20,036	21,892
	213,108	248,252

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and 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:

	2025 \$'000	2024 \$'000
Fees	530	678
Other emoluments:		
— Salaries, allowances and benefits in kind	7,968	7,968
— Discretionary bonuses	—	—
— Retirement scheme contributions	197	236
	8,165	8,204
	8,695	8,882

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 \$'000	2024 \$'000
Mrs. Tse Wong Siu Yin Elizabeth (Resigned on 27 June 2024)	—	49
Mr. Kam Yiu Shing Tony	100	100
Ms. Pong Scarlett Oi Lan, BBS, J.P.	100	100
Mr. Wong Chun Tat, J.P.	100	100
	300	349

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8 DIRECTORS' REMUNERATION (Continued)

#### (b) Executive directors and non-executive directors

2025

	Fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Total remuneration \$'000
<b>Executive directors:</b>					
Mr. Ng Hung Sang	10	1,344	–	28	1,382
Ms. Cheung Choi Ngor	10	3,024	–	151	3,185
Mr. Ng Yuk Yeung Paul	10	3,600	–	18	3,628
	30	7,968	–	197	8,195
<b>Non-executive directors:</b>					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. Yu Pui Hang	100	–	–	–	100
	200	–	–	–	200
	230	7,968	–	197	8,395

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8 DIRECTORS' REMUNERATION (Continued)

#### (b) Executive directors and non-executive directors (Continued)

2024

	Fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Total remuneration \$'000
<b>Executive directors:</b>					
Mr. Ng Hung Sang	10	1,344	–	67	1,421
Ms. Cheung Choi Ngor	10	3,024	–	151	3,185
Mr. Ng Yuk Yeung Paul	10	3,600	–	18	3,628
	30	7,968	–	236	8,234
<b>Non-executive directors:</b>					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. Ng Yuk Fung Peter (Resigned on 27 June 2024)	50	–	–	–	50
Ms. Li Yuen Yu Alice (Resigned on 27 June 2024)	49	–	–	–	49
Mr. Yu Pui Hang	100	–	–	–	100
	299	–	–	–	299
	329	7,968	–	236	8,533

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2024: Nil).

The executive directors of the Company constitute senior management of the Group.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2024: two) directors whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining three (2024: three) highest paid employees for the year are set out below:

	2025 \$'000	2024 \$'000
Salaries, allowances and benefits in kind	6,387	6,394
Discretionary bonus	436	362
Retirement scheme contributions	125	126
	<b>6,948</b>	<b>6,882</b>

The remuneration of the aforesaid remaining three (2024: three) highest paid employees fell within the following bands:

	Number of employees	
	2025	2024
\$2,000,001 to \$2,500,000	2	2
\$2,500,001 to \$3,000,000	1	1
	<b>3</b>	<b>3</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions in which the Group operates.

	2025 \$'000	2024 \$'000
<b>Current — Hong Kong</b>		
Charge for the year	881	3,097
(Over)/under-provision in prior years	(463)	3,012
<b>Current — Chinese Mainland</b>		
Charge for the year	18,755	8,291
Over-provision in prior years	(50)	(545)
<b>Deferred tax (note 30)</b>	<b>(65,742)</b>	24,030
<b>Total tax (credit)/charge for the year</b>	<b>(46,619)</b>	37,885

A reconciliation of the notional tax on the Group's (loss)/profit before tax at the Hong Kong Profits Tax rate to the actual tax (credit)/expense is as follows:

	2025 \$'000	2024 \$'000
(Loss)/profit before tax	(1,510,439)	50,062
Notional tax at the Hong Kong Profits Tax rate of 16.5% (2024: 16.5%)	(249,222)	8,260
Effect of different tax rates of subsidiaries operating in Chinese Mainland	(18,934)	14,661
Tax effect of non-deductible expenses	215,659	52,532
Tax effect of non-taxable income	(37,767)	(64,147)
Tax effect of unused tax losses not recognised	46,165	32,097
Tax effect of prior years' unrecognised tax losses utilised	(130)	(2,553)
(Over)/under-provision in prior years	(513)	2,467
Others	(1,877)	(5,432)
<b>Total tax (credit)/charge for the year</b>	<b>(46,619)</b>	37,885

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to equity shareholders of the Company of \$1,447,769,000 (2024: profit of \$696,000), and the weighted average number of ordinary shares of 12,982,892,000 (2024: 12,982,892,000) in issue after deducting shares held for the Share Award Scheme and treasury shares.

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic (loss)/earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on vesting, and the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2025 \$'000	2024 \$'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to equity shareholders of the Company used in the basic and diluted (loss)/earnings per share calculation	<b>(1,447,769)</b>	696
	Number of shares	
	2025 '000	2024 '000
<b>Shares</b>		
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation	<b>12,982,892</b>	12,982,892
Effect of redeemable convertible preference shares	–	219,951
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	<b>12,982,892</b>	13,202,843

Diluted loss per share equals to basic loss per share for the year ended 31 December 2025 because the potential ordinary shares outstanding were anti-dilutive.

The Company's share options have no dilution effect for the year ended 31 December 2024 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use \$'000	Furniture and leasehold improvements \$'000	Machinery and equipment \$'000	Moulds and tools \$'000	Motor vehicles and vessels \$'000	Total \$'000
<b>Cost or valuation:</b>							
At 1 January 2025	233,918	600,577	369,383	302,221	23,286	24,299	1,553,684
Exchange realignment	3,130	21,417	1,558	2,900	–	485	29,490
Additions	1,294	21,969	16,838	24,941	799	11	65,852
Adjustment from lease modification	–	(571)	–	–	–	–	(571)
Disposals and written off	(10,930)	(37,311)	(44,991)	(35,922)	(868)	(544)	(130,566)
Disposal of subsidiaries	–	(848)	(2,176)	(29,612)	–	(1,895)	(34,531)
Transfer to non-current assets classified as held for sale	(77,038)	–	–	–	–	–	(77,038)
At 31 December 2025	150,374	605,233	340,612	264,528	23,217	22,356	1,406,320
<b>Analysis of cost or valuation:</b>							
At cost	102,865	605,233	340,612	264,528	23,217	22,356	1,358,811
At 31 December 1988 valuation	31,112	–	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	–	10,973
	150,374	605,233	340,612	264,528	23,217	22,356	1,406,320
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2025	158,890	321,076	334,013	263,112	22,682	23,222	1,122,995
Exchange realignment	1,626	14,833	1,295	2,799	–	461	21,014
Depreciation provided during the year (note 6)	6,940	62,123	13,243	17,777	255	283	100,621
Disposals and written off	(1,312)	(26,256)	(36,382)	(35,632)	(864)	(535)	(100,981)
Disposal of subsidiaries	–	(271)	(1,962)	(29,507)	–	(1,708)	(33,448)
Transfer to non-current assets classified as held for sale	(64,113)	–	–	–	–	–	(64,113)
At 31 December 2025	102,031	371,505	310,207	218,549	22,073	21,723	1,046,088
<b>Net book value:</b>							
At 31 December 2025	48,343	233,728	30,405	45,979	1,144	633	360,232

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use \$'000	Furniture and leasehold improvements \$'000	Machinery and equipment \$'000	Moulds and tools \$'000	Motor vehicles and vessels \$'000	Total \$'000
<b>Cost or valuation:</b>							
At 1 January 2024	250,453	582,048	363,971	313,735	23,013	25,322	1,558,542
Exchange realignment	(2,281)	(17,991)	(1,001)	(1,025)	–	(353)	(22,651)
Additions	574	44,192	10,851	20,483	287	321	76,708
Adjustment from lease modification	–	230	–	–	–	–	230
Disposals and written off	–	(7,902)	(4,438)	(30,972)	(14)	(991)	(44,317)
Surplus on revaluation upon transfer out to investment properties	36,432	–	–	–	–	–	36,432
Transfer to investment properties	(51,260)	–	–	–	–	–	(51,260)
At 31 December 2024	233,918	600,577	369,383	302,221	23,286	24,299	1,553,684
<b>Analysis of cost or valuation:</b>							
At cost	186,409	600,577	369,383	302,221	23,286	24,299	1,506,175
At 31 December 1988 valuation	31,112	–	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	–	10,973
	233,918	600,577	369,383	302,221	23,286	24,299	1,553,684
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2024	161,865	282,801	325,325	278,064	22,281	24,143	1,094,479
Exchange realignment	(1,145)	(10,433)	(793)	(924)	–	(331)	(13,626)
Adjustment from lease modification	–	(6,023)	–	–	–	–	(6,023)
Depreciation provided during the year (note 6)	7,067	59,982	13,840	16,807	411	401	98,508
Disposals and written off	–	(5,251)	(4,359)	(30,835)	(10)	(991)	(41,446)
Transfer to investment properties	(8,897)	–	–	–	–	–	(8,897)
At 31 December 2024	158,890	321,076	334,013	263,112	22,682	23,222	1,122,995
<b>Net book value:</b>							
At 31 December 2024	75,028	279,501	35,370	39,109	604	1,077	430,689

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Right-of-use assets

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

	Note	2025 \$'000	2024 \$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost, with remaining lease term of:	(i)		
— between 10 and 50 years in Hong Kong		5,862	6,990
— between 10 and 50 years in Chinese Mainland		42,481	68,038
		<b>48,343</b>	75,028
Other properties leased for own use, carried at depreciated cost	(ii)	233,728	279,501
		<b>282,071</b>	354,529

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

	2025 \$'000	2024 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings held for own use	6,940	7,067
Other properties leased for own use, carried at depreciated cost	62,123	59,982
	<b>69,063</b>	67,049
Interest on lease liabilities (note 7)	20,036	21,892
Expenses relating to short-term leases	6,317	4,385
Gain on lease termination	(4,612)	(399)
Adjustment from lease modification	—	(2,747)

### 12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### **Right-of-use assets *(Continued)***

During the year ended 31 December 2025, additions to right-of-use assets were \$23,263,000 (2024: \$44,766,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21 and 27 respectively.

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

The Group holds land and buildings for its toys manufacturing business, where its manufacturing facilities and office premises are primarily located. Lump sum payments were made upfront to acquire the right to use of these land and buildings, 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. The payments vary from time to time and are payable to the relevant government authorities.

The Group is in the process of applying the land use right certificates for certain leasehold land in Chinese Mainland on which buildings with carrying amount of \$12,892,000 (2024: \$13,746,000) as at 31 December 2025 were erected. The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Certain of the Group's ownership interests in leasehold land and buildings were revalued on or before 31 December 1994. The land and buildings were revalued at open market value based on their existing use. Since 1995, no further revaluation of the Group's ownership interests in leasehold land and buildings has been carried out as the Group has relied on the exemption from the requirement to carry out future revaluation of its property, plant and equipment, which were stated at valuation at that time, granted under the transitional provisions in paragraph 80A of HKAS 16.

Had the ownership interests in leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's ownership interests in leasehold land and buildings at 31 December 2025 would have been \$75,034,000 (2024: \$79,202,000).

At 31 December 2025 and 2024, certain of the Group's property, plant and equipment, including the ownership interest in leasehold land and buildings were pledged to secure the banking facilities granted to the Group (note 24).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Right-of-use assets (Continued)

(ii) Other properties leased for own use

The Group leases several industrial buildings for its trading and manufacturing business, where its manufacturing facilities are primarily located. The Group has obtained the right to use other properties as its warehouses and office premises through tenancy agreements. The leases typically run for an initial period of 1 to 50 years. Lease payments are usually increased every 2 to 3 years to reflect market rentals.

The Group has obtained the right to use agricultural land for its agriculture and forestry business, where its bearer plants are primarily located, through tenancy agreements. The leases typically run for an initial period of 14 to 70 years.

Some leases include an option to terminate the lease during the period of the contract term. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. If the Group is not reasonably certain not to exercise the termination options, the future lease payments during the periods with termination options exercisable are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) \$'000	Potential future lease payments under termination options not included in lease liabilities (undiscounted) \$'000
Leasehold Land — the Chinese Mainland		
— At 31 December 2025	<b>81,640</b>	<b>704,818</b>
— At 31 December 2024	102,191	704,155

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES

#### (a) Investment properties

	Completed investment properties \$'000	Investment properties under development \$'000	Total \$'000
At 1 January 2025	9,006,143	186,624	9,192,767
Exchange realignment	263,926	8,747	272,673
Additions	–	926	926
Transfer to non-current assets classified as held for sale	(46,729)	–	(46,729)
Disposal of subsidiaries	(2,655)	–	(2,655)
Net fair value loss	(1,150,856)	(11,710)	(1,162,566)
<b>At 31 December 2025</b>	<b>8,069,829</b>	<b>184,587</b>	<b>8,254,416</b>
At 1 January 2024	9,238,293	189,578	9,427,871
Exchange realignment	(190,208)	(6,310)	(196,518)
Additions	–	971	971
Transfer from property, plant and equipment	42,363	–	42,363
Net fair value loss	(84,305)	2,385	(81,920)
<b>At 31 December 2024</b>	<b>9,006,143</b>	<b>186,624</b>	<b>9,192,767</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES (Continued)

#### (a) Investment properties (Continued)

	2025 \$'000	2024 \$'000
Ownership interests in leasehold investment properties (including under development), carried at fair value, with remaining lease term of:		
Hong Kong:		
— 50 years or more	437,833	531,242
— between 10 and 50 years	2,073,740	2,820,845
	2,511,573	3,352,087
Chinese Mainland:		
— between 10 and 50 years	5,742,843	5,840,680
	8,254,416	9,192,767

The Group's investment properties were revalued on 31 December 2025 by Ravia Global Appraisal Advisory Limited and Graval Consulting Limited (2024: by Ravia Global Appraisal Advisory Limited), who are independent professionally qualified valuers, at \$8,254,416,000 (2024: \$9,192,767,000) in aggregate, on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 37 to the financial statements.

At 31 December 2025 and 2024, certain investment properties of the Group were pledged and mortgaged to secure the banking facilities granted to the Group (note 24).

As 31 December 2025, certain investment properties of the Group with an aggregate value of \$38,830,000 (2024: \$56,346,000) were pledged to secure the employees resettlement reserve funds (included in provision for severance payments (note 29)) for certain subsidiaries of the Group.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES (Continued)

#### (a) Investment properties (Continued)

The Group is in the process of applying the land use right certificates in respect of certain investment properties of the Group located in Chinese Mainland amounting to \$520,609,000 as at 31 December 2025 (2024: \$557,883,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

At the end of each reporting period, the Group's management has discussion with the valuers on the valuation methodology and valuation results when the valuation is performed for financial reporting purposes. The investment properties comprised commercial and industrial properties.

Further particulars of the Group's investment properties are included on pages 211 to 218.

#### (b) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2025 using			Fair value at 31 December 2025 \$'000
	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
<b>Recurring fair value measurement for:</b>				
Commercial properties	–	–	7,589,909	7,589,909
Industrial properties	–	–	664,507	664,507
	–	–	8,254,416	8,254,416

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES (Continued)

#### (b) Fair value hierarchy (Continued)

	Fair value measurement as at 31 December 2024 using			Fair value at 31 December 2024 \$'000
	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
<b>Recurring fair value measurement for:</b>				
Commercial properties	–	–	8,427,042	8,427,042
Industrial properties	–	–	765,725	765,725
	–	–	9,192,767	9,192,767

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES (Continued)

#### (b) Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties \$'000	Industrial properties \$'000
At 1 January 2025	8,427,042	765,725
Exchange realignment	261,041	11,632
Additions	–	926
Transfer to non-current assets classified as held for sale	(46,729)	–
Disposal of subsidiaries	(2,655)	–
Net fair value loss	(1,048,790)	(113,776)
<b>At 31 December 2025</b>	<b>7,589,909</b>	<b>664,507</b>
At 1 January 2024	8,645,563	782,308
Exchange realignment	(187,979)	(8,539)
Additions	–	971
Transfer from property, plant and equipment	42,363	–
Net fair value loss	(72,905)	(9,015)
<b>At 31 December 2024</b>	<b>8,427,042</b>	<b>765,725</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 INVESTMENT PROPERTIES (Continued)

#### (b) Fair value hierarchy (Continued)

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties within Level 3 of the fair value hierarchy:

Properties	Valuation techniques	Unit price/unit construction cost
<b>Situated in Hong Kong</b>		
— Commercial	Comparison approach	\$3,481 — \$21,278 per square foot (2024: \$4,023 — \$28,092 per square foot)
— Industrial	Comparison approach	\$2,845 — \$3,477 per square foot (2024: \$3,160 — \$8,333 per square foot)
<b>Situated in Chinese Mainland</b>		
— Commercial	Comparison approach	Renminbi (“RMB”) 4,104 — RMB29,873 per square metre (2024: RMB2,370 — RMB40,300 per square metre)
— Industrial	Comparison approach	RMB1,161 — RMB2,635 per square metre (2024: RMB957 — RMB5,500 per square metre)
— Industrial	Depreciated replacement cost (“DRC”) approach	N/A (2024: RMB1,050 — RMB1,700 per square metre)

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

For certain properties in the Chinese Mainland, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison approach. The DRC approach is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In practice, DRC approach may be used as a substitute for the market value of specialised property, due to the lack of market comparables available.

Fair values of investment properties will increase if there were increases in unit price or construction cost.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14 OTHER NON-CURRENT ASSETS

As at 31 December 2025, a convertible bond receivable of \$87,343,000 (2024: \$86,808,000) was included in other receivables (2024: other non-current assets), which was issued by a related company controlled by substantial shareholders, who are also directors of the Company.

The convertible bond has a maturity date of 3 years from the date of issue, i.e. 13 January 2023, and is unsecured and interest-bearing at 1% per annum. The conversion right shall only be exercisable with the mutual consent of the issuer and the holder of the convertible bond.

The convertible bond is renewed on 12 January 2026 upon the approval of independent shareholders of the Company with a maturity date of 3 years from the date of renewal, i.e. 12 January 2026, and is unsecured and interest-bearing at 2% per annum. The conversion right shall only be exercisable with the mutual consent of the issuer and the holder of the convertible bond.

### 15 INVESTMENTS IN SUBSIDIARIES

The Company has set up a trust for the purpose of administering the Share Award Scheme established by the Company in 2011. The Company is required to consolidate the trust as the Company has the power over the trust and can derive benefits from the contributions of employees who have been awarded the awarded shares through their employment with the Group.

Shares of certain indirect wholly-owned subsidiaries of the Company were pledged and mortgaged to secure the banking facilities granted to the Group (note 24).

Details of the principal subsidiaries are set out in note 44.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2025	2024
Percentage of equity interest held by non-controlling equity holders:		
— 遼寧長盛置業有限公司	20%	20%
(Loss)/profit for the year allocated to non-controlling interests:	\$'000	\$'000
— 遼寧長盛置業有限公司	(16,694)	1,239
Accumulated balances of non-controlling interests at the reporting dates:	\$'000	\$'000
— 遼寧長盛置業有限公司	278,357	275,158

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations.

	2025 遼寧長盛置業 有限公司 \$'000	2024 遼寧長盛置業 有限公司 \$'000
Revenue	6,299	6,298
(Loss)/profit for the year	(84,820)	6,193
Other comprehensive income for the year	100,780	(72,146)
Total comprehensive income for the year	15,960	(65,953)
Current assets	173,282	161,674
Non-current assets	2,659,163	2,644,160
Current liabilities	(195,892)	(187,478)
Non-current liabilities	(496,531)	(494,294)
Net cash generated from operating activities	3,694	3,786
Net cash generated from investing activities	–	–
Net cash used in financing activities	(3,708)	(3,770)

As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen Limited was completed on 16 January 2013. The principal subsidiary of Splendor Sheen Limited is 遼寧長盛置業有限公司 (formerly 遼寧大發房地產有限責任公司) which is owned as to 80% by Splendor Sheen Limited and 20% by the non-controlling shareholders (the “Non-controlling Shareholders”).

Two agreements dated 27 December 2011 and 28 October 2012, respectively, were signed by the shareholders of 遼寧長盛置業有限公司. Pursuant to the aforesaid agreements, the parties thereto agreed to make additional pro-rata capital contribution to 遼寧長盛置業有限公司 with reference to respective parties' equity ownership percentage in 遼寧長盛置業有限公司 in the aggregate amounts of RMB608,000,000 for the Group and RMB152,000,000 for the Non-controlling Shareholders. Up to 31 December 2025, the Group has injected RMB607,349,000 (up to 31 December 2024: RMB607,349,000), equivalent to approximately \$749,143,000 (up to 31 December 2024: equivalent to approximately \$749,143,000), in aggregate to 遼寧長盛置業有限公司 under the capital contribution obligation as referred to in the above. The Non-controlling Shareholders, however, have not made any payment for their respective additional capital contribution obligations up to 31 December 2025. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in equity as non-controlling interests in 遼寧長盛置業有限公司 of \$275,158,000 and \$278,357,000 as carried in the consolidated statement of financial position as at 31 December 2024 and 2025, respectively.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 INVENTORIES

	2025 \$'000	2024 \$'000
<b>Trading and manufacturing</b>		
Raw materials	140,911	122,272
Work in progress	124,209	96,427
Finished goods	71,172	111,713
	<b>336,292</b>	<b>330,412</b>
Write-down of inventories	(59,226)	(35,464)
	<b>277,066</b>	<b>294,948</b>
<b>Property development</b>		
Completed properties for sale	416,786	425,763
	<b>693,852</b>	<b>720,711</b>
	<b>2025 \$'000</b>	<b>2024 \$'000</b>
Ownership interests in leasehold land included in completed properties for sale carried at the lower of cost and net realisable value, with remaining lease term of:		
Chinese Mainland:		
— between 10 and 50 years	111,051	118,962

The movements in allowance for write-down of inventories are as follows:

	2025 \$'000	2024 \$'000
At 1 January	35,464	45,830
Exchange realignment	142	(124)
Provision/(reversal) of write-down of inventories (note 6)	28,900	(3,897)
Disposal of subsidiaries	(1,805)	—
Written off	(3,475)	(6,345)
At 31 December	<b>59,226</b>	<b>35,464</b>

As at 31 December 2025 and 2024, certain inventories of the Group were pledged to secure the banking facilities granted to the Group (note 24).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 PROPERTIES UNDER DEVELOPMENT

	<b>2025</b>	2024
	<b>\$'000</b>	\$'000
Carrying amount at 1 January	237,229	242,854
Exchange realignment	10,811	(7,716)
Additions	771	2,091
	<hr/>	<hr/>
Carrying amount at 31 December	<b>248,811</b>	237,229

The Group's properties under development are situated in Chinese Mainland, and include ownership interests in land with remaining lease term of:

	<b>2025</b>	2024
	<b>\$'000</b>	\$'000
Between 10 and 50 years	<b>125,105</b>	119,318

The amount of properties under development expected to be recovered after more than one year is \$248,811,000 (2024: \$237,229,000).

Further particulars of the Group's properties under development are included on page 218.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18 TRADE RECEIVABLES

	2025 \$'000	2024 \$'000
Trade receivables	477,320	510,932
Loss allowance	(123,537)	(111,891)
	<b>353,783</b>	<b>399,041</b>

An ageing analysis of trade receivables net of loss allowance as at the end of the reporting period based on invoice date is as follows:

	2025 \$'000	2024 \$'000
Within 90 days	281,934	367,221
91 to 180 days	53,881	13,530
181 to 365 days	6,923	6,387
Over 365 days	11,045	11,903
	<b>353,783</b>	<b>399,041</b>

The movements in loss allowance for trade receivables are as follows:

	2025 \$'000	2024 \$'000
At 1 January	111,891	111,419
Exchange realignment	1,361	(780)
Credit loss recognised (note 6)	10,392	1,483
Disposal of subsidiaries	(107)	–
Amount written off as uncollectible	–	(231)
At 31 December	<b>123,537</b>	<b>111,891</b>

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 40(c). The Group does not hold any collateral or other credit enhancements over these balances.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### **19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is \$820,594,000 (2024: \$782,629,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

### **20 AMOUNTS DUE FROM ASSOCIATES**

The amounts due from associates are unsecured, interest-free and recoverable on demand.

### **21 CASH AND BANK BALANCES**

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to \$70,269,000 (2024: \$189,775,000). RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2025 and 2024, certain cash and bank balances of the Group were pledged to secure the banking facilities granted to the Group (note 24).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 CASH AND BANK BALANCES (Continued)

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 Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans \$'000 (Note 24)	Trust receipt loans \$'000 (Note 24)	Amounts due to non- controlling shareholders of subsidiaries \$'000 (Note 28)	Amounts due to related parties \$'000 (Note 26)	Lease liabilities \$'000 (Note 27)	Interest payable \$'000	Total \$'000
At 1 January 2025	3,501,374	169,995	10,306	504,904	325,982	18,698	4,531,259
<b>Changes from financing cash flows:</b>							
Proceeds from new bank loans	2,904,652	-	-	-	-	-	2,904,652
Repayment of bank loans	(3,326,446)	-	-	-	-	-	(3,326,446)
Decrease in trust receipts loans	-	(32,400)	-	-	-	-	(32,400)
Interest and other borrowing costs paid	-	-	-	-	-	(169,454)	(169,454)
Increase in amounts due to related parties	-	-	-	218,708	-	-	218,708
Capital element of lease rentals paid	-	-	-	-	(59,331)	-	(59,331)
Interest element of lease rentals paid	-	-	-	-	(20,036)	-	(20,036)
Total changes from financing cash flows	(421,794)	(32,400)	-	218,708	(79,367)	(169,454)	(484,307)
<b>Exchange realignment</b>	17,877	-	291	-	8,983	16	27,167
<b>Other changes:</b>							
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	21,969	-	21,969
Lease termination	-	-	-	-	(15,667)	-	(15,667)
Lease modification	-	-	-	-	(571)	-	(571)
Interest expenses (note 7)	-	-	-	28,098	20,036	164,974	213,108
Disposal of subsidiaries	(10,934)	-	(9,562)	(26,960)	(584)	-	(48,040)
Total other changes	(10,934)	-	(9,562)	1,138	25,183	164,974	170,799
At 31 December 2025	3,086,523	137,595	1,035	724,750	280,781	14,234	4,244,918

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 CASH AND BANK BALANCES (Continued)

	Bank loans \$'000 (Note 24)	Trust receipt loans \$'000 (Note 24)	Amounts due to non- controlling shareholders of subsidiaries \$'000 (Note 28)	Amounts due to related parties \$'000 (Note 26)	Lease liabilities \$'000 (Note 27)	Interest payable \$'000	Total \$'000
<b>At 1 January 2024</b>	3,576,056	197,176	10,549	625,874	346,717	22,391	4,778,763
<b>Changes from financing cash flows:</b>							
Proceeds from new bank loans	4,292,469	-	-	-	-	-	4,292,469
Repayment of bank loans	(4,356,408)	-	-	-	-	-	(4,356,408)
Decrease in trust receipts loans	-	(27,181)	-	-	-	-	(27,181)
Interest and other borrowing costs paid	-	-	-	(23)	-	(229,980)	(230,003)
Increase in amounts due to non-controlling shareholders of subsidiaries	-	-	105	-	-	-	105
Increase in amounts due to related parties	-	-	-	121,000	-	-	121,000
Repayment of amounts due to related parties	-	-	-	(57,000)	-	-	(57,000)
Capital element of lease rentals paid	-	-	-	-	(56,219)	-	(56,219)
Interest element of lease rentals paid	-	-	-	-	(21,892)	-	(21,892)
<b>Total changes from financing cash flows</b>	<b>(63,939)</b>	<b>(27,181)</b>	<b>105</b>	<b>63,977</b>	<b>(78,111)</b>	<b>(229,980)</b>	<b>(335,129)</b>
<b>Exchange realignment</b>	<b>(10,743)</b>	<b>-</b>	<b>(348)</b>	<b>-</b>	<b>(9,164)</b>	<b>(20)</b>	<b>(20,275)</b>
<b>Other changes:</b>							
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	44,192	-	44,192
Lease termination	-	-	-	-	(3,050)	-	(3,050)
Lease modification	-	-	-	-	3,506	-	3,506
Interest expenses (note 7)	-	-	-	53	21,892	226,307	248,252
Decrease in amounts due to related parties (note 41 (a))	-	-	-	(185,000)	-	-	(185,000)
<b>Total other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(184,947)</b>	<b>66,540</b>	<b>226,307</b>	<b>107,900</b>
<b>At 31 December 2024</b>	<b>3,501,374</b>	<b>169,995</b>	<b>10,306</b>	<b>504,904</b>	<b>325,982</b>	<b>18,698</b>	<b>4,531,259</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 CASH AND BANK BALANCES (Continued)

#### Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 \$'000	2024 \$'000
Within operating cash flows	6,317	4,385
Within financing cash flows	79,367	78,111
	<b>85,684</b>	<b>82,496</b>

These amounts relate to the following:

	2025 \$'000	2024 \$'000
Lease rentals paid	<b>85,684</b>	<b>82,496</b>

### 22 TRADE PAYABLES

	2025 \$'000	2024 \$'000
Trade payables	<b>576,477</b>	<b>699,173</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 22 TRADE PAYABLES (Continued)

An ageing analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2025 \$'000	2024 \$'000
Within 90 days	343,189	466,387
91 to 180 days	127,608	159,782
181 to 365 days	33,348	5,760
Over 365 days	72,332	67,244
	<b>576,477</b>	<b>699,173</b>

The trade payables are non-interest-bearing and expected to be settled within one year.

### 23 OTHER PAYABLES AND ACCRUALS

	2025 \$'000	2024 \$'000
<b>Contract liabilities</b>		
Made-to-order manufacturing arrangements		
— Billing in advance of performance	55,134	25,537
Property development		
— Forward sales deposits and instalments received	6,462	4,147
	<b>61,596</b>	<b>29,684</b>
<b>Other payables and accruals (Note)</b>	<b>600,345</b>	<b>470,061</b>
	<b>661,941</b>	<b>499,745</b>

Note: Except for rental deposits of \$18,372,000 (2024: \$15,798,000), all other payables are non-interest-bearing and expected to be settled within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

**23 OTHER PAYABLES AND ACCRUALS (Continued)**

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

**— Manufacturing arrangements**

When the Group receives a deposit on acceptance of manufacturing order, this will give rise to a contract liability at the start of a contract until the revenue of the contract is recognised. The Group typically receives deposits on acceptance of manufacturing orders. The deposit was negotiated on case by case basis with customers.

**— Property development**

The Group receives certain percentage of the contract value as a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and transferred to the customer. The rest of the consideration is typically paid when the property is accepted by the customer.

**Movement in contract liabilities**

	<b>2025</b>	2024
	<b>\$'000</b>	\$'000
Balance at 1 January	<b>29,684</b>	37,592
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	<b>(29,956)</b>	(36,766)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	<b>55,134</b>	25,537
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of completed properties for sale/still under construction at the end of the year	<b>6,734</b>	3,321
Balance at 31 December	<b>61,596</b>	29,684

As at 31 December 2025, the amount of billings in advance of performance and forward sales deposits and instalments received was expected to be recognised as revenue within one year (2024: within one year).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate %	2025 \$'000	2024 \$'000
<b>Current</b>			
Bank loans — unsecured	2–8	361,473	405,713
Bank loans — secured	2–8	2,452,828	1,497,662
Trust receipt loans — unsecured	5–7	14,886	53,552
Trust receipt loans — secured	5–7	122,709	116,443
Bank overdrafts — secured	5	371	—
		<b>2,952,267</b>	2,073,370
<b>Non-current</b>			
Bank loan — unsecured	4	17,801	9,550
Bank loans — secured	4–8	254,421	1,588,449
		<b>272,222</b>	1,597,999
		<b>3,224,489</b>	3,671,369

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24 INTEREST-BEARING BANK BORROWINGS (Continued)

	2025 \$'000	2024 \$'000
<b>Analysed into:</b>		
Bank loans repayable:		
Within one year or on demand	2,952,267	2,073,370
In the second year	134,261	1,375,740
In the third to fifth years, inclusive	78,103	151,058
Over five years	59,858	71,201
	272,222	1,597,999
	3,224,489	3,671,369
<b>Denominated in:</b>		
HKD	2,325,975	2,818,904
RMB	867,878	852,465
United States dollars ("USD")	30,636	–
	3,224,489	3,671,369

- (a) At the end of the reporting period, the Group's bank borrowings of \$2,830,329,000 (2024: \$3,202,554,000) were secured by:
- (i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Chinese Mainland (including investment properties under development), which had an aggregate carrying value of \$4,814,104,000 (2024: \$5,497,283,000) (note 13) at the end of the reporting period;
  - (ii) pledges and mortgages over the Group's ownership interests in leasehold land and buildings, which had an aggregate carrying value of \$13,694,000 (2024: \$36,157,000) (note 12) at the end of the reporting period;
  - (iii) pledges over the Group's non-current assets classified as held for sale, which had an aggregate carrying value of \$59,654,000 (2024: Nil) at the end of the reporting period;

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24 INTEREST-BEARING BANK BORROWINGS (Continued)

- (a) At the end of the reporting period, the Group's bank borrowings of \$2,830,329,000 (2024: \$3,202,554,000) were secured by: (Continued)
  - (iv) pledges over certain bank deposits of the Group with an aggregate carrying value of \$43,941,000 (2024: \$42,139,000) (note 21) at the end of the reporting period;
  - (v) pledges and mortgages over the shares of certain indirect wholly-owned subsidiaries of the Group; and
  - (vi) pledges over the Group's completed properties for sale, which had an aggregate carrying value of \$391,123,000 (2024: \$392,665,000) (note 16) at the end of the reporting period.
- (b) The Group has entered into certain trust receipt loan agreements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers of manufacturing materials. The trust receipt loans with an aggregate amount of \$122,709,000 (2024: \$116,443,000) are secured by the Group's investment properties with an aggregate carrying value of \$364,233,000 (2024: \$415,342,000).

Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates, which are normally 30–90 days after the invoice date. The Group then settles with the banks between 120–165 days after the original due dates with the suppliers, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as “interest-bearing bank borrowings”, in view of the nature and function of such liabilities when compared with the Group's trade payables to suppliers. As at 31 December 2025, the carrying amount of financial liabilities under these arrangements amounted to \$137,595,000 (2024: \$169,995,000), of which suppliers have received payments from the banks.

- (c) At the end of the reporting period, the Group's bank borrowings of \$1,602,440,000 (2024: \$847,276,000) are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested annually. If the Group were to breach the covenants the related loans would become payable on demand. Further details of the covenants and the Group's management of liquidity risk are set out in note 40(d). As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached (2024: Nil).
- (d) Included in current borrowings as at 31 December 2025 were certain bank borrowings of \$2,541,891,000 which the Group defaulted repayments for the outstanding principal amounts subsequent to 31 December 2025. Such non-repayment constituted an event of default under the loan agreements.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 25 AMOUNTS DUE FROM RELATED PARTIES

Except for the amount due from a related company of \$1,500,000 (2024: \$1,500,000) which is interest bearing at one percent above the Hong Kong dollar prime rate per annum, the remaining amounts due from related parties are interest-free. All the amount due from related parties are unsecured and recoverable on demand.

### 26 AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest bearing at Hong Kong dollar prime rate per annum and repayable on demand except for amounts totalling \$653,188,000 (2024: \$504,904,000) which are not repayable within one year from the end of the reporting period. The interest was waived for the year ended 31 December 2024.

### 27 LEASE LIABILITIES

The lease liabilities were repayable as the end of reporting period as follows:

	2025 \$'000	2024 \$'000
Within 1 year	59,691	60,638
After 1 year but within 2 years	50,634	60,558
After 2 years but within 5 years	86,589	115,015
After 5 years	83,867	89,771
	221,090	265,344
	280,781	325,982

### 28 AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable within one year from the end of the reporting period.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand except for amounts totalling \$107,000 (2024: \$107,000) which is not repayable within one year from the end of the reporting period.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 OTHER NON-CURRENT LIABILITIES

	2025 \$'000	2024 \$'000
Provision for severance payments	22,969	21,907
Others	595	568
	<b>23,564</b>	<b>22,475</b>

The movements in the provision for severance payments are as follows:

	2025 \$'000	2024 \$'000
At 1 January	21,907	53,040
Exchange realignment	1,062	(1,070)
Write-back of provision for severance payments	—	(30,063)
At 31 December	<b>22,969</b>	<b>21,907</b>

The provision for severance payments arose from the acquisition of certain subsidiaries in Chinese Mainland in prior years, and was recognised under the relevant regulations in Chinese Mainland.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in three subsidiaries, 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司. Under the agreement, investment properties amounting to \$38,830,000 (2024: \$56,346,000) are pledged to secure the performance of the respective subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金). Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 30 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The movements in deferred tax (assets)/liabilities recognised during the year are as follows:

	Depreciation allowance in excess of related depreciation \$'000	Revaluation of properties \$'000	Losses available for offsetting against future taxable profits \$'000	Right-of-use assets \$'000	Lease liabilities \$'000	Others \$'000	Total \$'000
At 1 January 2024	108,146	962,282	(64,635)	63,888	(70,689)	45,855	1,044,847
Deferred tax (credited)/charged to profit or loss (note 10)	11,406	13,132	-	(334)	(174)	-	24,030
Deferred tax charged to reserves	-	9,108	-	-	-	-	9,108
Exchange realignment	(2,609)	(31,929)	-	(2,086)	2,100	-	(34,524)
At 31 December 2024	116,943	952,593	(64,635)	61,468	(68,763)	45,855	1,043,461
At 1 January 2025	116,943	952,593	(64,635)	61,468	(68,763)	45,855	1,043,461
Deferred tax charged/(credited) to profit or loss (note 10)	8,358	(77,412)	-	(1,610)	4,922	-	(65,742)
Exchange realignment	4,154	43,738	-	(7,604)	8,264	-	48,552
At 31 December 2025	129,455	918,919	(64,635)	52,254	(55,577)	45,855	1,026,271

Deferred tax assets have not been recognised in respect of the following items:

#### (i) Tax losses arising in Hong Kong

As at 31 December 2025, the Group had tax losses arising in Hong Kong of \$708,916,000 (2024: \$610,561,000). Such tax losses are available indefinitely for offsetting against future taxable profits of the relevant companies from which the losses arose.

#### (ii) Tax losses arising in Chinese Mainland

As at 31 December 2025, the Group had tax losses arising in Chinese Mainland of \$467,841,000 (2024: \$377,321,000) in the past five years available for offsetting against future taxable profits. Such tax losses will expire in one to five years.

Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 30 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by foreign investment enterprises established in Chinese Mainland for distribution to foreign investors. The requirement is effective from 1 January 2008 onwards, and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008 onwards.

No deferred tax liabilities have been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the major subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled \$377,714,000 at 31 December 2025 (2024: \$395,891,000).

### 31 SHARE CAPITAL

#### (a) Shares

	2025 \$'000	2024 \$'000
<b>Authorised:</b>		
20,000,000,000 (2024: 20,000,000,000) ordinary shares of \$0.01 each	200,000	200,000
3,000,000,000 (2024: 3,000,000,000) redeemable convertible preference shares of \$0.02 each	60,000	60,000
<b>Total authorised capital</b>	<b>260,000</b>	<b>260,000</b>
<b>Issued and fully paid:</b>		
13,221,302,172 (2024: 13,221,302,172) ordinary shares of \$0.01 each	132,213	132,213
109,975,631 (2024: 109,975,631) redeemable convertible preference shares of \$0.02 each (Note)	2,200	2,200
<b>Total issued and fully paid capital</b>	<b>134,413</b>	<b>134,413</b>

### 31 SHARE CAPITAL (Continued)

#### (a) Shares (Continued)

Note: The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors (the “Board”), at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

There was no movement in the number of issued ordinary shares and redeemable convertible preference shares of the Company during the years ended 31 December 2025 and 2024.

#### (b) Share options

Details of the Company’s share option schemes and the share options issued under the schemes are set out in note 32 to the financial statements.

#### (c) Share awards

In 2011, the Board approved the establishment of the Company’s Employees’ Share Award Scheme (the “Share Award Scheme”). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the “Trust”) for the purpose of administering the Share Award Scheme and holding the shares purchased for the Share Award Scheme before the award and vesting of the same. The Company pays to the Trust from time to time for the purchase of shares held for the Share Award Scheme from market.

The terms of the Share Award Scheme provide for the award of shares in the Company and/or shares in South China Assets Holdings Limited, a related company under common control, to employees of the Group as part of their compensation package. Subject to the rules of the Share Award Scheme, the Board shall determine at the time of grant the vesting date for the relevant awarded shares.

Dividends payable to the awarded shares are applied to acquire further shares (dividend shares) and pay the related purchase expenses and expenses of the Trust. Dividend shares have the same vesting date as the related awarded shares.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited and held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration the recommendations of the Board.

No movements in the number of awarded shares in the Company during the years ended 31 December 2025 and 2024.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 31 SHARE CAPITAL (Continued)

#### (c) Share awards (Continued)

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	2025		2024	
	Value \$'000	Number of shares held	Value \$'000	Number of shares held
At 1 January and 31 December	61,075	206,160,593	61,075	206,160,593

During the year ended 31 December 2025, there was no share (2024: Nil) of the Share Award Scheme of the Company was transferred to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was Nil (2024: Nil).

### 32 SHARE OPTION SCHEME

#### 2012 Share Option Scheme

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “2012 Share Option Scheme”) which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company’s shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Group are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

#### (a) Purpose of the 2012 Share Option Scheme

In order to provide incentives or rewards to the participants for their contributions to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds equity interest (the “Invested Entity”), the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

## 32 SHARE OPTION SCHEME (Continued)

### 2012 Share Option Scheme (Continued)

#### (b) Participants of the 2012 Share Option Scheme

According to the 2012 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

- (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;
- (ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;
- (iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;
- (iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;
- (v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;
- (vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;
- (vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;
- (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;
- (ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (inducing any discretionary object of a participant which is a discretionary trust); and
- (x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 SHARE OPTION SCHEME (Continued)

#### 2012 Share Option Scheme (Continued)

(c) Total number of shares available for issue under the 2012 Share Option Scheme

The maximum number of shares in respect of which share options may be granted under the 2012 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 597,727,372. Options lapsed in accordance with the terms of the 2012 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

The 2012 Share Option Scheme was expired on 11 June 2022. No further share will be issued under the 2012 Share Option Scheme.

(d) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable laws and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of \$5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

### 32 SHARE OPTION SCHEME (Continued)

#### 2012 Share Option Scheme (Continued)

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2012 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of \$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 SHARE OPTION SCHEME (Continued)

#### 2012 Share Option Scheme (Continued)

(i) Remaining life of the 2012 Share Option Scheme

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the 2012 Share Option Scheme during the year:

	2025		2024	
	Weighted average exercise price per share \$	Number of options '000	Weighted average exercise price per share \$	Number of options '000
At 1 January	0.51	11,000	0.51	11,000
Lapsed during the year	0.51	(11,000)	—	—
At 31 December	—	—	0.51	11,000
Exercisable at 31 December	—	—	0.51	11,000

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 SHARE OPTION SCHEME (Continued)

#### 2012 Share Option Scheme (Continued)

(i) Remaining life of the 2012 Share Option Scheme (Continued)

Particulars of the outstanding share options granted under the 2012 Share Option Scheme and their movements during the year were as follows:

#### 2025

Name or category of participant	Number of share options			Date of grant of share options  (note 32(i)(1))	Exercise period of share options	Number of ordinary share issuable upon the exercise of share options	Exercise price per share \$ (note 32(i)(2))
	Outstanding as at 1 January 2025	Lapsed during the year	Outstanding as at 31 December 2025				
<b>Employees</b>							
In aggregate	3,666,668	(3,666,668)	–	10/07/2015	10/07/2016–09/07/2025	–	0.51
	3,666,666	(3,666,666)	–	10/07/2015	10/07/2017–09/07/2025	–	0.51
	3,666,666	(3,666,666)	–	10/07/2015	10/07/2018–09/07/2025	–	0.51
<b>Total</b>	<b>11,000,000</b>	<b>(11,000,000)</b>	<b>–</b>			<b>–</b>	

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 SHARE OPTION SCHEME (Continued)

#### 2012 Share Option Scheme (Continued)

##### (i) Remaining life of the 2012 Share Option Scheme (Continued)

2024

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Number of ordinary share issuable upon the exercise of share options	Exercise price per share \$
	Outstanding as at 1 January 2024	Lapsed during the year	Outstanding as at 31 December 2024				
<b>Employees</b>							
In aggregate	3,666,668	–	3,666,668	10/07/2015	10/07/2016–09/07/2025	9,316,268	0.51
	3,666,666	–	3,666,666	10/07/2015	10/07/2017–09/07/2025	9,316,266	0.51
	3,666,666	–	3,666,666	10/07/2015	10/07/2018–09/07/2025	9,316,266	0.51
<b>Total</b>	<b>11,000,000</b>	<b>–</b>	<b>11,000,000</b>			<b>27,948,800</b>	

Notes:

- (1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 24th month	Not more than 33⅓%
25th – 36th month	Not more than 66⅔%
37th – 120th month	100%

- (2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

As at 31 December 2024, the Company had 11,000,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the remaining share options would, under the capital structure of the Company as at 31 December 2024, result in the issue of 27,949,000 additional ordinary shares of the Company with additional cash received of approximately \$14,254,000.

All the share options were lapsed during the year ended 31 December 2025.

### 32 SHARE OPTION SCHEME (Continued)

#### 2023 Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting held on 20 June 2023 (the “2023 Share Option Scheme”), which has a term of ten (10) years and will expire on 20 June 2033.

(a) Purpose of the 2023 Share Option Scheme

The purpose of the 2023 Share Option Scheme is to provide incentive or rewards to the employees, directors and other eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group.

(b) Participants of the 2023 Share Option Scheme

According to the 2023 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

- (i) employee participant(s), being any director(s) (including executive director(s), non-executive director(s) and independent non-executive director(s)) or employee(s) (whether full-time or part-time) of the Company or any subsidiary (including person(s) who is granted options under the 2023 Share Option Scheme as an inducement to enter into an employment contract with the Company or any subsidiary);
- (ii) related entity participant(s), being any director(s) or employee(s) of the holding companies, fellow subsidiaries or associated companies of the Company; and
- (iii) service provider participant(s), being any person(s) (including entity(ies)) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, as determined by the Board pursuant to the criteria set out below:
  - (a) suppliers of services to any member of the Group, that operates in the industries in which the Group operates from time to time;
  - (b) advisors (professional or otherwise) or consultants, with specialties or expertise in areas that supplement the Group or with which the Group would consider important to maintain a close business relationship on an ongoing basis and bring benefits and strategic value to Group’s development and future prospects; and
  - (c) independent contractors that provide advisory services, consultancy services, licensing services, product development services, sales and marketing services and/or other professional services,

excluding (a) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and (b) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 SHARE OPTION SCHEME (Continued)

#### 2023 Share Option Scheme (Continued)

(c) Total number of shares available for issue under the 2023 Share Option Scheme

The total number of Shares available for issue under the 2023 Share Option Scheme is 1,322,130,217, representing approximately 10% of the total number of Shares in issue as at the date of this annual report.

No option was granted under 2023 Share Option Scheme since the adoption of the scheme.

(d) Maximum entitlement of each participant

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in any 12-month period must not exceed 1.0% of the total number of Shares in issue.

Where Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2023 Share Option Scheme to a participant who is a substantial shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, representing in aggregate over 0.1% of the total number of Shares in issue, the proposed grant of option must be approved by the shareholders of the Company in general meeting.

Grants to individuals that exceed the thresholds set out in the Chapter 17 of the Listing Rules will be subject to additional approval requirements as required under the Chapter 17 of the Listing Rules.

(e) Period within which the option may be exercised by the grantee

A period to be specified by the Board and not to exceed 10 years from the date of grant of options.

(f) The vesting period of options granted

The vesting period for Options shall not be less than 12 months from the date of grant. A shorter vesting period may be granted to the employee participants at the discretion of the Board or the remuneration and nomination committee of the Company or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board in any of the following circumstances:

- (i) grants of “make-whole” options to new joiners to replace the share awards or options they forfeited when leaving the previous employers; or
- (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event; or

## 32 SHARE OPTION SCHEME (Continued)

### 2023 Share Option Scheme (Continued)

(f) *The vesting period of options granted (Continued)*

- (iii) grants of option the timing of which is determined by administrative or compliance requirements not connected with the performance of the employee participant, in which case the vesting date may be adjusted to take account of the time from which the option would have been granted if not for such administrative or compliance requirements; or
- (iv) grants of options with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of 12 months.

each of which are considered appropriate to provide flexibility to grant options (1) as part of competitive terms and conditions to induce valuable talent to join the Group (sub-paragraphs (i) and (iv)); (2) reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs (ii) and (iii)); (3) reward exceptional performers with accelerated vesting (sub-paragraph (iv)); (4) to motivate exceptional performers based on performance metrics rather than time (sub-paragraph (v)); and (5) in exceptional circumstances where justified (sub-paragraph (i) to (v)), which is consistent with the purpose of the 2023 Share Option Scheme.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of \$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer.

(h) *Basis of determining the exercise price of the options granted*

The exercise price is determined by the Board which must be at least the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant.

(i) *Remaining life of the 2023 Share Option Scheme*

Subject to early termination of the 2023 Share Option Scheme pursuant to the terms thereof, the 2023 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 26 June 2023.

No option has been granted, cancelled, outstanding, exercised or lapsed under the 2023 Share Option Scheme during the years ended 31 December 2025 and 2024.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 RESERVES

- (a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 96 to 97.

#### (b) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus.

(iii) *Merger reserve*

It represents the excess of the consideration over the carrying amount of net assets acquired under common control transactions.

(iv) *Land and buildings revaluation reserve*

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2.4(g).

(v) *PRC statutory reserve*

Pursuant to the relevant laws and regulations of the PRC, certain subsidiaries of the Group registered in the PRC shall appropriate a portion of their profits after tax to the PRC statutory reserves, which are restricted as to use, subject to certain conditions provided that the said profit after tax of the relevant subsidiary is in excess of its accumulated losses brought forward, if any. For such appropriation, the said profit after tax and accumulated losses brought forward shall be the respective amounts reported in accordance with the accounting principles generally applicable to the PRC enterprises. There was no such transfer to the PRC statutory reserves for the year ended 31 December 2025 (2024: Nil).

### 33 RESERVES (Continued)

#### (b) Nature and purpose of reserves (Continued)

(vi) Goodwill reserve

The goodwill arising on consolidation has been set up and dealt with in accordance with the transitional arrangements under HKFRS 3 (August 2004). Goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

(vii) 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 policy as set out in note 2.4(aa).

(viii) Employee share-based compensation reserve

The employee share-based compensation reserve comprises the fair value of the unvested share awards and the unexercised share options of the Group at grant date that has been recognised in accordance with the accounting policy as set out in note 2.4(y).

(ix) Treasury shares

At the end of the reporting period, a subsidiary had 32,249,468 (2024: 32,249,468) of treasury shares which are available for resale and are recognised as a reduction of the total equity of the Group.

(x) Other reserve

The amount represents the difference between the consideration received or paid for the non-controlling interests and the carrying amount of non-controlling interests acquired by or from the non-controlling shareholders.

#### (c) Dividend

The Company had not declared or paid any dividend during the year (2024: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 RESERVES (Continued)

#### (d) Company

	Share premium \$'000	Capital redemption reserve \$'000	Shares held for Share Award Scheme \$'000	Employee share-based compensation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2024	1,482,177	223	(61,075)	4,985	(624,006)	802,304
Loss and total comprehensive income for the year	-	-	-	-	(101,226)	(101,226)
At 31 December 2024 and 1 January 2025	1,482,177	223	(61,075)	4,985	(725,232)	701,078
Loss and total comprehensive income for the year	-	-	-	-	(65,507)	(65,507)
Lapse of share options	-	-	-	(4,985)	4,985	-
At 31 December 2025	1,482,177	223	(61,075)	-	(785,754)	635,571

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2025 amounted to approximately \$696,646,000 (2024: \$762,153,000).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 CONTINGENT LIABILITIES

As 31 December 2025, the Group had given guarantees to financial institutions in the aggregate amount of \$168,121,000 (2024: \$163,358,000) on behalf of purchasers of property units developed by the Group in Chinese Mainland in relation to which the related building ownership certificate had not yet been issued at 31 December 2025. Such guarantees will be released upon the issuance of the building ownership certificate.

### 35 PLEDGES OF ASSETS

Details of the Group's bank loans and non-current liabilities, which are secured by the assets of the Group, are included in notes 24 and 29 to the financial statements.

### 36 OPERATING LEASE ARRANGEMENTS

#### As lessor

The Group leases out its investment properties (note 13) under operating lease arrangements with leases generally negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases include variable lease payments.

At the end of the reporting period, undiscounted lease payments under non-cancellable operating lease in place will be receivable by the Group in future periods as follows:

	2025 \$'000	2024 \$'000
Within one year	108,225	117,645
After 1 year but within 2 years	53,493	62,346
After 2 years but within 3 years	31,561	34,318
After 3 years but within 4 years	15,006	21,933
After 4 years but within 5 years	6,019	15,255
After 5 years	–	2,530
	<b>214,304</b>	<b>254,027</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 37 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2025 \$'000	2024 \$'000
<b>Contracted but not provided for:</b>		
Land and buildings	7,447	7,986
Machinery and equipment	4,024	7,732
	<b>11,471</b>	<b>15,718</b>
<b>Authorised but not contracted for:</b>		
Property, plant and equipment	2,634	8,618

### 38 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions and balances with its related parties during the year:

	2025 \$'000	2024 \$'000
<b>Transactions with related parties#:</b>		
Interest expense (note (i))*	(28,098)	—
Interest income (note (ii))*	93	102
Interest income on convertible bond (note 14)	898	898
Rental income**	2,308	1,992
Expenses recharge to related parties*	5,811	10,508
Air tickets and travel related services purchased*	(663)	(257)
	<b>19,402</b>	<b>—</b>
<b>Balances with related parties#:</b>		
Lease liabilities (note (iii))*	19,402	—

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (a) (Continued)

- # The relevant related parties are controlled by substantial shareholders, who are also directors of the Company.
- \* These related party transactions also constitute exempted connected transactions or exempted continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- \*\* The related party transactions include rental income of \$2,308,000 (2024: \$1,992,000) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with and the key terms of the tenancy agreements have been disclosed in the announcement of the Company.

Notes:

- (i) Interest expense of \$28,098,000 (2024: Nil) was charged at Hong Kong dollar prime rate on the outstanding balances of the amounts due to related parties.
- (ii) Interest income of \$93,000 (2024: \$102,000) was charged at one percent above Hong Kong dollar prime rate on the outstanding balance of the amount from a related company.
- (iii) The Group had entered into leases in respect of certain leasehold properties from related companies controlled by the controlling shareholder of the Company during the year ended 31 December 2025. At the inception of the leases, the Group recognised right-of-use assets and lease liabilities of \$20,876,000.

#### (b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 14, 20, 25, 26 and 28 to the financial statements.

#### (c) Compensation of key management personnel of the Group:

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 39 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee for financial reporting purposes.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial assets measured at FVPL are based on quoted market prices.

At the end of the reporting period, the financial assets measured at FVPL were classified as Level 1 under the fair value hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024: Nil).

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values.

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

At 31 December 2025, 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 before tax by approximately \$30,038,000.

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately \$30,499,000.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Foreign currency risk

The Group operates in Hong Kong and Chinese Mainland and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and USD. Foreign exchange risk mainly arises from transactions in Chinese Mainland. The directors consider that the Group's exposure to foreign currency risk in respect of balances denominated in USD to be minimal as the Hong Kong dollar is pegged to the USD.

##### (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 or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2025		2024	
	RMB \$'000	USD \$'000	RMB \$'000	USD \$'000
Assets	61,869	210,373	205,536	545,514
Liabilities	(681,454)	(151,942)	(772,574)	(111,017)
Net exposure arising from recognised assets and liabilities	(619,585)	58,431	(567,038)	434,497

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Foreign currency risk (Continued)

##### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's (loss)/profit before tax that would arise 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 the Hong Kong dollar and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2025		2024	
	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease in loss before tax \$'000	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit before tax \$'000
RMB	10%	(61,959)	10%	(56,704)
	(10)%	61,959	(10)%	56,704

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit before tax measured in the respective functional currencies, translated into Hong Kong dollars 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 re-measure 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 is performed on the same basis for 2024.

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) 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 receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

##### *Trade receivables*

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by the senior management.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate, other than trading and manufacturing segment. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 23.9% (2024: 49.1%) and 76.2% (2024: 80.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading and manufacturing segment.

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 indicates different loss patterns for different customer segments, the loss allowance is calculated based on days past due from various customer segments which are grouped with similar patterns (i.e. by customer type).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Credit risk (Continued)

Trade receivables (Continued)

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

		2025	
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0%	173,977	–
1 – 180 days past due	0%	165,372	–
181 – 365 days past due	0%	4,224	–
366 – 548 days past due	0%	10,019	–
549 – 730 days past due	84%	1,180	989
Over 730 days past due	100%	122,548	122,548
		<b>477,320</b>	<b>123,537</b>
		2024	
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0%	272,728	–
1 – 180 days past due	0%	109,096	–
181 – 365 days past due	0%	5,864	–
366 – 548 days past due	0%	11,353	–
549 – 730 days past due	100%	5	5
Over 730 days past due	100%	111,886	111,886
		<b>510,932</b>	<b>111,891</b>

Expected loss rates are based on actual loss experience over the past two years. 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.

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As disclosed in note 24(c), the Group's bank borrowings of \$1,602,440,000 (2024: \$847,276,000) are subject to the fulfillment of covenants. Some of those relating to the Group's financial metrics are tested annually. If the Group were to breach the covenants the related loans would become payable on demand. There was no breach of covenants by the Group as at 31 December 2025 and 2024. Major financial metrics are tested for the fulfillment of covenants for those bank loans classified as non-current at the end of the reporting period as set out below:

- Ratio of total current assets to total current liabilities;
- Total equity attributable to equity shareholders of the Company less goodwill, deferred tax assets and deferred tax liabilities ("Tangible Net Worth"); and
- Ratio of total interest-bearing bank borrowings and lease liabilities net of cash and bank balances to Tangible Net Worth.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative 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 date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the Group can be required to pay; and
- expected undiscounted cash flows provided to the Group's key management personnel and the date the Group is expected to pay, shown as adjustments to the contractual undiscounted cash flows if the timing and/or amount to the cash flows are expected to be different from the contractual undiscounted cash flows.

	2025			Total \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 5 years \$'000	More than 5 years \$'000	
Trade payables	576,477	–	–	576,477
Other payables	581,973	18,372	–	600,345
Interest-bearing bank borrowings	2,737,692	370,206	68,197	3,176,095
Trust receipt loans	137,595	–	–	137,595
Financial liabilities included in other non-current liabilities	–	23,564	–	23,564
Amounts due to non-controlling shareholders of subsidiaries	928	107	–	1,035
Amounts due to related parties	71,562	684,028	–	755,590
Lease liabilities	77,109	177,681	105,431	360,221
	<b>4,183,336</b>	<b>1,273,958</b>	<b>173,628</b>	<b>5,630,922</b>
Adjustments to present cash flows interest-bearing bank borrowings based on lenders' right to demand repayment	119,182	(128,456)	–	(9,274)
	<b>4,302,518</b>	<b>1,145,502</b>	<b>173,628</b>	<b>5,621,648</b>

Note: Further details regarding maturity term of the bank borrowings and the material uncertainty in respect of the Group's ability to continue as a going concern, including management's plans to address the Group's liquidity needs, are set out in note 2.1.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk (Continued)

	2024			Total \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 5 years \$'000	More than 5 years \$'000	
Trade payables	699,173	–	–	699,173
Other payables	454,262	15,798	–	470,060
Interest-bearing bank borrowings	2,149,432	1,538,768	83,604	3,771,804
Trust receipt loans	169,995	–	–	169,995
Financial liabilities included in other non-current liabilities	–	22,475	–	22,475
Amounts due to non-controlling shareholders of subsidiaries	10,199	107	–	10,306
Amounts due to related parties	–	528,959	–	528,959
Lease liabilities	80,432	222,990	115,912	419,334
	3,563,493	2,329,097	199,516	6,092,106
Adjustments to present cash flows interest-bearing bank borrowings based on lenders' right to demand repayment	39,375	(43,081)	–	(3,706)
	3,602,868	2,286,016	199,516	6,088,400

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group defines capital to be total equity.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a gearing ratio, which is total bank borrowings divided by capital. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	2025 \$'000	2024 \$'000
Total interest-bearing bank borrowings	3,224,489	3,671,369
Capital	4,945,631	6,117,462
Gearing ratio	65.2%	60.0%

### 41 DISPOSALS OF SUBSIDIARIES

#### (a) Year ended 31 December 2025

On 6 May 2025, South China Industries (China) Limited (“SCI (China)”) and Sino Pioneer International Limited (“Sino Pioneer”), both being indirect wholly-owned subsidiaries of the Company, as vendors entered into a sale and purchase agreement with Splendid Enterprises Limited (“Splendid Enterprise”), a company wholly-owned by Mr. Ng Hung Sang, the controlling shareholder of the Company, the chairman of the board of directors and an executive director of the Company, as purchaser, pursuant to which, SCI (China) and Sino Pioneer conditionally agreed to sell and Splendid Enterprise conditionally agreed to purchase the entire issued share capital in World Mastery Limited, Crosslight Limited and Chun Wing Company Limited (these companies retained certain properties in Tianjin), at a total consideration of \$26,960,000. The consideration was settled by set-off against an amount due to a related party which is indirectly wholly-owned by Mr. Ng Hung Sang at completion. This transaction was approved by independent shareholders at the extraordinary general meeting held on 17 June 2025 and completed on 27 June 2025, which resulted in a gain on disposal of subsidiaries of \$67,561,000 recognised in profit a loss and a deemed contribution of \$11,196,000 recognised in equity during the year ended 31 December 2025.

#### (b) Year ended 31 December 2024

On 24 October 2024, Welbeck Holdings Limited (“Welbeck”), an indirect wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with Splendid Enterprises Limited (“Splendid Enterprise”), a company wholly-owned by Mr. Ng Hung Sang, the controlling shareholder of the Company, the chairman of the board of directors and an executive director of the Company, as purchaser, pursuant to which Welbeck conditionally agreed to sell and Splendid Enterprise conditionally agreed to purchase the entire issued share capital in the Poben Consultants Limited, Pok Lake Profits Limited and Tripstowe Management Limited, at a consideration of \$185,000,000. The consideration was settled by setting-off against an amount due to a related party which was indirectly wholly-owned by Mr. Ng Hung Sang upon completion. This transaction was approved by independent shareholders at the extraordinary general meeting held on 2 December 2024 and completed on the same day. The gain resulted from the disposal of subsidiaries was approximately \$121,793,000, which had been recognised to the consolidated statement of profit or loss during the year ended 31 December 2024.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 42 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In December 2025, Everwin Toys (Dongguan) Co., Ltd. (“Everwin Toys”), an indirectly wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with an independent third party (“the purchaser”), pursuant to which, Everwin Toys has agreed to sell and the purchaser agreed to purchase the leasehold land and property, plant and equipment of Everwin Toy’s factory located in Dongguan. In the opinion of the directors, the disposal of the assets was expected to be completed within twelve months from the end of the reporting period.

The non-current assets classified as held for sale included property, plant and equipment of \$12,925,000 and investment properties of \$46,729,000 as at 31 December 2025.

The investment properties presented as non-current assets classified as held for sale were revalued on 31 December 2025 by Graval Consulting Limited, an independent professionally qualified valuer, at \$46,729,000 on an open market, existing use basis. Such investment properties were leased to third parties under operating leases. Details about such operating lease arrangements are included in note 36 to the financial statements.

The investment properties classified as held for sale was industrial properties situated in Chinese Mainland with remaining lease term of between 10 to 50 years, for which the fair value measurement was categorised as Level 3. There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2025.

Below is the valuation technique and the key inputs used in the valuation of the Group’s investment properties presented as non-current assets classified as held for sale:

Properties	Valuation techniques	Unit price
Situated in Chinese Mainland		
— Industrial	Comparison approach	RMB3,103 — RMB4,584 per square metre

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

Fair value of non-current assets classified as held for sale will increase if there were an increase in unit price.

At 31 December 2025, the non-current assets classified as held for sale of \$59,654,000 were pledged to secure the banking facilities granted to the Group (note 24).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2025 \$'000	2024 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries		4,319,744	4,538,270
<b>Current assets</b>			
Other receivables		1,903	1,500
Financial assets measured at fair value through profit or loss		2,298	2,298
Cash and bank balances		945	15,621
<b>Total current assets</b>		<b>5,146</b>	<b>19,419</b>
<b>Current liabilities</b>			
Other payables		27,849	15,612
Interest-bearing bank borrowings		1,130,084	342,559
Amounts due to related parties		31,588	–
<b>Total current liabilities</b>		<b>1,189,521</b>	<b>358,171</b>
<b>Net current liabilities</b>		<b>(1,184,375)</b>	<b>(338,752)</b>
<b>Total assets less current liabilities</b>		<b>3,135,369</b>	<b>4,199,518</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings		–	1,069,818
Amounts due to subsidiaries		2,365,385	2,264,179
Amount due to a related party		–	30,030
<b>Total non-current liabilities</b>		<b>2,365,385</b>	<b>3,364,027</b>
<b>NET ASSETS</b>		<b>769,984</b>	<b>835,491</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	31(a)	134,413	134,413
Reserves	33(d)	635,571	701,078
<b>TOTAL EQUITY</b>		<b>769,984</b>	<b>835,491</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2025 are as follows:

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Autowill Limited	British Virgin Islands ("BVI")	US\$1	100%	Investment holding
Beat Time Enterprises Limited	BVI	US\$1	100%	Investment holding
重慶華慶農林發展有限公司 (note (d))	The PRC	RMB25,000,000	100%	Forestry
重慶華浦農林發展有限公司 (note (c))	The PRC	RMB100,000,000	60%	Woods and crops plantation
Cophorne Holdings Corp.	Republic of Panama/ Hong Kong	US\$200	100%	Property investment
創峰塑膠電子製品(北流)有限公司 (note (d))	The PRC	US\$1,000,000	100%	Manufacturing of toys
東莞盈峰塑膠電子製品有限公司 (note (d))	The PRC	US\$3,000,000	100%	Manufacturing of toys
Eastand Investments Limited	Hong Kong	\$2	100%	Property investment
Everwin Toys (Dongguan) Co., Ltd (note (d))	The PRC	\$84,500,000	100%	Manufacturing of toys
廣東華興果業發展有限公司 (note (d))	The PRC	US\$11,500,000	100%	Fruit plantation
海興華豐農業有限公司 (note (d))	The PRC	\$30,000,000	100%	Woods and crops plantation
遼寧長盛置業有限公司 (note (c))	The PRC	RMB877,349,000	80%	Property investment
Nanjing South China Dafang Electric Co., Ltd (note (d))	The PRC	RMB77,550,000	100%	Property investment

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Nanjing South China Huaguan Compressor Ltd. (note (d))	The PRC	RMB53,426,450	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note (d))	The PRC	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note (d))	The PRC	RMB48,093,700	100%	Property investment
南京電力電容器有限公司 (notes (d))	The PRC	RMB1,425,400	100%	Property investment
南京液壓件二廠有限公司 (notes (d))	The PRC	RMB2,345,600	100%	Property investment
南京第二壓縮機有限公司 (note (d))	The PRC	RMB16,756,800	100%	Property investment
南京電機有限公司 (note (d))	The PRC	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note (d))	The PRC	RMB29,035,500	100%	Property investment
南京南英置業有限公司	The PRC	RMB30,506,400	100%	Property investment
南京華科農業發展有限公司 (note (c))	The PRC	USD1,454,545	55%	Fish farming
陝西泰添農林發展有限公司 (note (d))	The PRC	\$14,974,310	100%	Woods and crops plantation
瀋陽華寶農林綜合開發有限公司 (note (d))	The PRC	US\$2,963,740	100%	Woods and crops plantation
瀋陽華凱農業開發有限公司 (note (d))	The PRC	US\$2,722,200	100%	Woods and crops plantation
瀋陽萬鴻星匯商業有限公司 (note (c))	The PRC	RMB5,000,000	80%	Property management
瀋陽南華鴻基房地產開發有限公司 (note (d))	The PRC	US\$187,454,000	100%	Property development

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
South China Industries (BVI) Limited (note (a))	BVI	US\$1,000	100%	Investment holding
South China Shoes Products Company Limited	Hong Kong	\$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US\$1	100%	Investment holding
South China Strategic Limited	Hong Kong	\$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US\$1	100%	Property investment
South China Strategic Property Development Limited	Hong Kong	\$5,000,000	100%	Investment holding
Splendor Sheen Limited	BVI	US\$2	100%	Investment holding
泰美華升(惠州)電子有限公司 (note (d))	The PRC	US\$20,972,000	100%	Manufacturing and trading of electronic products
Thousand China Investments Limited	BVI	US\$1	100%	Investment holding
Wahheng Toys (Shenzhen) Co., Ltd (note (d))	The PRC	US\$8,000,000	100%	Manufacturing of toys
華輝玩具(郁南)有限公司 (note (d))	The PRC	US\$7,500,000	100%	Manufacturing of toys
天津南華譽基房地產開發有限公司 (note (d))	The PRC	\$255,490,000	100%	Property development
Wah Shing (BVI) Limited	BVI	US\$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/The PRC	\$571,500	100%	Manufacturing and trading of toys

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Wah Shing International Holdings Limited	Bermuda	\$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	\$2 ordinary and \$3,020,002 Non-voting deferred (note (b))	100%	Trading of toys
深圳華比實業有限公司 (note (d))	The PRC	US\$7,000,000	100%	Manufacturing of toys
Welbeck Holdings Limited	BVI	US\$1	100%	Investment holding
WTS International (BVI) Limited	BVI	US\$1	100%	Investment holding
容縣華榮玩具有限公司 (note (d))	The PRC	US\$2,000,000	100%	Manufacturing of toys

Notes:

- (a) Except for South China Industries (BVI) Limited, the principal subsidiaries are all held indirectly by the Company.
- (b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.
- (c) These are Sino-foreign equity joint ventures established in the PRC.
- (d) These are wholly-foreign-owned equity enterprises established in the PRC.

The above summary lists only the subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# Summary of Financial Information

(Expressed in Hong Kong dollars unless otherwise indicated)

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

## RESULTS

	2025 \$'000	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000
Revenue	2,178,718	3,231,529	2,887,385	3,813,722	4,724,909
(Loss)/profit before tax	(1,510,439)	50,062	(35,189)	86,936	86,293
Income tax credit/(expense)	46,619	(37,885)	(7,250)	(21,292)	(53,217)
(Loss)/profit for the year	(1,463,820)	12,177	(42,439)	65,644	33,076
<b>Attributable to:</b>					
Equity shareholders of the Company	(1,447,769)	696	(31,846)	74,734	30,852
Non-controlling interests	(16,051)	11,481	(10,593)	(9,090)	2,224
	(1,463,820)	12,177	(42,439)	65,644	33,076

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2025 \$'000	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000
Total assets	11,547,102	12,965,968	13,255,285	13,537,226	15,614,990
Total liabilities	(6,601,471)	(6,848,506)	(6,965,470)	(7,048,021)	(8,717,395)
Non-controlling interests	(312,910)	(289,921)	(292,531)	(325,816)	(343,964)
	4,632,721	5,827,541	5,997,284	6,163,389	6,553,631

# Details of Major Properties

## 1 INVESTMENT PROPERTIES

Location	Group's interest	Existing use
<b>(a) Hong Kong</b>		
Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos. 3, 12, 13, 21, 25 and 26 Wah Shing Centre No. 5 Fung Yip Street Chai Wan Hong Kong	100%	Industrial and carparking
1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Central Hong Kong	100%	Commercial
Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial

## Details of Major Properties

### 1 INVESTMENT PROPERTIES (Continued)

Location	Group's interest	Existing use
<b>(a) Hong Kong (Continued)</b>		
Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47-53 Man Yue Street Nos. 20-28 Man Lok Street Hung Hom, Kowloon, Hong Kong	100%	Industrial and carparking
Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
The whole of 4th Floor McDonald's Building Nos. 46-54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial

**1 INVESTMENT PROPERTIES** *(Continued)*

<u>Location</u>	<u>Group's interest</u>	<u>Existing use</u>
<b>(a) Hong Kong</b> <i>(Continued)</i>		
Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	100%	Commercial
2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264-298 Castle Peak Road and Nos. 64-98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
16th, 21st, 23rd, 26th, 31st, 33rd and 36th Floor The Centrium No. 60 Wyndham Street, Central Hong Kong	100%	Commercial
Upper Ground Floor, Ground Floor and carpark The Centrium No. 60 Wyndham Street, Central Hong Kong	30%	Commercial and carparking

## Details of Major Properties

### 1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
<b>(b) Chinese Mainland</b>		
Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
A building and a land parcel located at No. 32 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and two land parcels located at No. 36 Jiefang Road Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings erected upon a land parcel located at No. 855 Yingtian Da Jie Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
4th Floor No. 64 Ertiao Lane Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial

**1 INVESTMENT PROPERTIES** *(Continued)*

Location	Group's interest	Existing use
<b>(b) Chinese Mainland</b> <i>(Continued)</i>		
Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road Luhe District, Dachang Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 262 Yuhua West Road Yuhuatai District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 160 Honghua Village Qinhuai District Nanjing City Jiangsu Province The PRC	100%	Commercial
A building and a land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 292 Shengzhou Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial

## Details of Major Properties

### 1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
<b>(b) Chinese Mainland <i>(Continued)</i></b>		
Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	100%	Industrial
An industrial complex located at No. 158 Jiangdong Middle Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Industrial
Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin City The PRC	100%	Commercial
Various buildings and a land parcel located at No. 51 Suti Road Nankai District Tianjin City The PRC	100%	Commercial/ Industrial
Unit C, 15th Floor World Trade Plaza No. 71 Wu Si Road Fuzhou City Fujian Province The PRC	100%	Commercial

**1 INVESTMENT PROPERTIES** *(Continued)*

Location	Group's interest	Existing use
<b>(b) Chinese Mainland</b> <i>(Continued)</i>		
Avenue of Stars No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	80%	Commercial
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province The PRC	100%	Commercial

**2 PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

Location	Group's interest	Type
<b>Chinese Mainland</b>		
Various buildings and a land parcel located at Xiekeng Village Qingxi Town, Dongguan City Guangdong Province The PRC	100%	Industrial

## Details of Major Properties

### 3 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Location	Group's interest	Type
<b>Chinese Mainland</b>		
Xiao Luo Road West Liang Tian Village Ban Qiao Industrial Zone Tai Mei Town, Huizhou City Guangdong Province The PRC	100%	Industrial

### 4 PROPERTIES UNDER DEVELOPMENT/COMPLETED PROPERTIES HELD FOR SALE

Location	Marketable floor area/land area	Group's interest	Type
<b>Chinese Mainland</b>			
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province The PRC	99,000 sq.m.	100%	Residential
East side of Guihua Road South Side of Dadong Road Siandian Town Wuqing district Tianjin City The PRC	88,000 sq.m.	100%	Commercial and residential