Illustrative Annual Financial Statements

Under HKFRS Accounting Standards

December 2025

kpmg.com/cn

About KPMG

KPMG in China has offices located in 31 cities with over 14,000 partners and staff, in Beijing, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Nantong, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Taiyuan, Tianjin, Wuhan, Wuxi, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. It started operations in Hong Kong in 1945. In 1992, KPMG became the first international accounting network to be granted a joint venture licence in the Chinese Mainland. In 2012, KPMG became the first among the "Big Four" in the Chinese Mainland to convert from a joint venture to a special general partnership.

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Celebrating 80 years in Hong Kong

80 years of trust

In 2025, KPMG marks "80 Years of Trust" in Hong Kong. Established in 1945, we were the first international accounting organisation to set up operations in the city. Over the past eight decades, we've woven ourselves into the fabric of Hong Kong, working closely with the government, regulators, and the business community to help establish Hong Kong as one of the world's leading business and financial centres. This close collaboration has enabled us to build lasting trust with our clients and the local community – a core value celebrated in our anniversary theme: "80 Years of Trust".

Illustrative Annual Financial Statements under HKFRS Accounting Standards

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Contents

Abbreviations

Examples of abbreviations used	Sources
CO	Hong Kong Companies Ordinance (Cap. 622)
S380(2)(a)	Paragraph 2(a) of Section 380 of the Hong Kong Companies Ordinance (Cap. 622)
C(DR)R.7	Section 7 of Companies (Directors' Report) Regulation (Cap. 622D)
C(DIBD)R	Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G)
C(AS(PB))R	Companies (Accounting Standards (Prescribed Body)) Regulation (Cap. 622C)
Sch 5	Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKFRS	Hong Kong Financial Reporting Standard
HKAS	Hong Kong Accounting Standard
HKAS 1.138(a)	Paragraph 138(a) of Hong Kong Accounting Standard 1
HK (IFRIC)	HK (IFRIC) Interpretation
HK (SIC)	HK (SIC) Interpretation
HK (INT)	HK Interpretation
PS 2.88F	Paragraph 88F of HKFRS Practice Statement 2
HKSA	Hong Kong Standard on Auditing
HKSA 700.17(a)	Paragraph 17(a) of Hong Kong Standard on Auditing 700
PNote 600.1(22)	Paragraph 22 of Practice Note 600.1 issued by the HKICPA
IASB	International Accounting Standards Board
SEHK	The Stock Exchange of Hong Kong Limited
MBLRs	Main Board Listing Rules of the SEHK
D2(2)	Paragraph 2 of Appendix D2 to the MBLRs
R17.07(1)	Paragraph 1 of Rule 17.07 of the MBLRs
PN5(3.2)	Paragraph 3.2 of Practice Note 5 of the MBLRs
CP	Current common practice in Hong Kong or recommended by KPMG (but not specifically required or recommended in any of the various guidelines or standards)
GAAP	Generally accepted accounting principles

Foreword

This Guide has been prepared primarily to provide guidance for companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (SEHK), which are required to prepare their annual reports in accordance with the applicable disclosure provisions of the Main Board Listing Rules of the SEHK (MBLRs).

This Guide includes:

- an illustrative annual report for the year ended 31 December 2025 issued by a hypothetical Main Board listed company, HK Listco Ltd (HK Listco), which includes:
  - a directors' report,
  - an independent auditor's report to the shareholders of the company,
  - annual financial statements prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), the Hong Kong Companies Ordinance and the applicable disclosure provisions of the MBLRs, and
  - a list of group properties and five year summary as required by Appendix D2 to the MBLRs, *Disclosure of financial information*;
- further information on new or amended HKFRS Accounting Standards, including a brief overview of their scope and requirements;
- a table of recent IFRIC agenda decisions, including concise summaries of IFRIC technical conclusions, starting from January 2024;
- a highlight of HKICPA financial reporting guidance that may have a pervasive impact on entities reporting under HKFRS Accounting Standards;
- an index of all HKFRS Accounting Standards, including their Interpretations, in issue as of 31 August 2025;
- a list of exposure drafts in issue as of 31 August 2025; and
- additional guidance on requirements applicable to non-Hong Kong incorporated entities listed on the Stock Exchange of Hong Kong.

Recent financial reporting developments

Appendix B to this Guide sets out a list of new or amended HKFRS Accounting Standards which are first effective for annual periods beginning on or after 1 January 2025, including a brief overview of these new or amended HKFRS Accounting Standards. The list is current as of 31 August 2025 and contains two tables:

- table B1 lists those new or amended HKFRS Accounting Standards which are required to be adopted in annual accounting periods beginning on or after 1 January 2025; and
- table B2 lists other new or amended HKFRS Accounting Standards which are available for early adoption in that period, but are not yet mandatory.

All of these new or amended HKFRS Accounting Standards arise from the HKICPA adopting equivalent changes made to IFRS® Accounting Standards by the International Accounting Standards Board (the IASB), word-for-word and with the same effective dates and transitional provisions. As of 31 August 2025, there are no recent amendments to IFRS Accounting Standards which the HKICPA has yet to adopt, except for amendments to IFRS 19, *Subsidiaries without public accountability: disclosures*, which were issued by the IASB in August 2025. We expect that the HKICPA will adopt them as local amendments in due course.

As can be seen from table B1, amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* are the only amendments to the HKFRS Accounting Standards which are required to be adopted for the first time in the 2025 annual financial statements. The amendments specify when a currency is "exchangeable" into another currency and when it is not and, when a currency is not exchangeable, how an entity determines a spot rate for measurement purposes. Under the amendments, an entity is required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. As the amendments are of significance only to entities with specific currency exposures, material changes in accounting policies are not expected to be common. However, it is possible that some entities will be affected by these amendments. Management of each entity should check carefully to see whether these amendments could have a material impact on the entity and, if so, to note the transitional requirements. Care should also be taken to tailor the disclosures to suit the entity's circumstances, particularly in the discussion of changes in accounting policies resulting from the amendments.

In January 2025, the HKICPA issued further guidance on accounting for the abolition of the mandatory provident fund (MPF) – long service payment (LSP) offsetting arrangement, specifically regarding the accounting for the related government subsidy scheme (the Subsidy). In this Guide, HK Listco has applied the guidance and accounted for the Subsidy in accordance with HKAS 20, *Accounting for government grants and disclosure of government assistance*. The disclosures on LSP liabilities in note 28(c) has been updated accordingly. Further details of the HKICPA guidance can be found in footnote 250 and Appendix D to this Guide.

In addition to the above developments, Appendix C to this Guide includes a summary of the IFRIC agenda decisions issued since January 2024, starting with the most recent decisions as of the time of writing. Considering that HKFRS Accounting Standards are derived from IFRS Accounting Standards word-for-word, entities preparing financial statements under HKFRS Accounting Standards or IFRS Accounting Standards are expected to change their accounting policies to align with the guidance in the final agenda decisions, to the extent their existing accounting policies differ from those described in the agenda decisions. The IASB's expectation is that "any necessary accounting policy changes will be implemented on a timely basis—in other words, as soon and as quickly as possible".

Apart from the above, in March 2025, the HKICPA replaced the references to "Hong Kong Financial Reporting Standards" with "HKFRS Accounting Standards" to mirror a similar change with the international standards to better differentiate the financial reporting standards from the sustainability disclosure standards, both of which are issued by the HKICPA.

Other developments

Locally, on 6 June 2025, the Hong Kong SAR Government gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 (the "2025 Amendment Ordinance") to introduce the global and domestic minimum top-up taxes in Hong Kong, effective for fiscal years beginning on or after 1 January 2025. In this Guide, it is assumed that HK Listco is part of a multinational enterprise group that falls into the scope of these taxes. The disclosures in notes 6, 30 and 37 to the illustrative annual financial statements have been updated for the impacts of these minimum top-up taxes. Further details of the 2025 Amendment Ordinance can be found in footnotes 148 and 301.

Globally, the recent rapid changes in trade policies and the resulting economic uncertainties may have ripple effects on the businesses and financial reporting of many entities. Entities should consider carefully these effects both in terms of measurement and disclosures. In particular, where relevant and material, clear and meaningful disclosures about these effects, including the impact on significant judgement and assumptions, may be required. These effects vary from one entity to the other, and are not specifically illustrated in this Guide.

Last, but certainly not least, local regulatory authorities issue guidance and observations that are relevant when preparing the annual reports. For example, the SEHK recently consolidated its guidance and recommendations on annual report disclosures in the form of a Guide on Preparation of Annual Report. Some of these recommendations have been illustrated in this Guide where relevant, though entities should refer to the SEHK guide for further details.

Illustrative Annual Report

(for a company incorporated under the Hong Kong Companies Ordinance and listed on the Main Board of the Stock Exchange of Hong Kong)

31 December 2025

This "illustrative annual report" is produced by KPMG China's Audit Quality & Professional Practice and is for the use of clients, partners and staff of KPMG. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. In particular, it does not necessarily illustrate all the regulatory or HKFRS Accounting Standard disclosures that may need to be made to reflect the particular circumstances of a reporting entity.

Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. All entities and persons mentioned herein are hypothetical. Any resemblance to any entities or persons is purely coincidental.

Information for users of this illustrative annual report

The following annual report is prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), the Hong Kong Companies Ordinance (HKCO) and the applicable disclosure provisions of the Main Board Listing Rules of the SEHK (MBLRs).

The annual report is presented as if it has been issued by a hypothetical Main Board listed company, HK Listco Ltd (HK Listco) for the year ended 31 December 2025. HK Listco and its subsidiaries are primarily involved in the businesses of manufacturing and sale of electronic products, property development, construction and trading and property investment.

HK Listco has been applying HKFRS Accounting Standards in prior periods. Entities applying HKFRS Accounting Standards for the first time in their annual financial statements also need to consider the application of HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards*, when making the transition from previous GAAP to HKFRS Accounting Standards[1].

The annual report illustrates the effects of certain changes that may commonly affect entities in the Hong Kong SAR. However, it should not be relied upon to identify all of the significant changes that an entity may need to make as a result of the new or revised HKFRS Accounting Standards first effective from 1 January 2025.

As is further highlighted in the Foreword to this Guide, to assist in the assessment of the effects of the new and revised standards, the appendices to this Guide contain further information on HKFRS Accounting Standard developments. The full text of the HKFRS Accounting Standards is available from the HKICPA's website.

Use of the illustrative annual report

The format and wording of this annual report are illustrative only and hence are not intended to be mandatory. Other methods or styles of presentation adopted may be equally acceptable provided that they comply with the presentation and disclosure provisions of the HKFRS Accounting Standards, HKCO and MBLRs and that the financial statements as a whole present a true and fair view.

The annual report illustrates a range of common accounting policies and transactions but should not be used as a substitute for referring to the rules, standards and interpretations themselves. In addition, care should be taken to take account of the impact of any changes in requirements that may result from the finalisation of current exposure drafts or other current projects of the SEHK, HKICPA, IASB or its interpretive body, IFRS Interpretations Committee, between the date of this Guide and the finalisation of your annual report.

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1 For further information on transitioning to HKFRS Accounting Standards or asserting dual compliance (for example with IFRS Accounting Standards and HKFRS Accounting Standards), please refer to our Hong Kong Companies Ordinance Information Sheet "Meeting the requirement to comply with applicable accounting standards and asserting dual compliance", available from your usual KPMG contact.

References

Where the HKFRS Accounting Standards, HKCO or MBLRs state that a specific item should be disclosed, references to the relevant paragraphs are provided. For example, the reference "HKAS 1.10(b)" is given at the start of the consolidated statement of profit or loss and other comprehensive income as paragraph 10(b) of HKAS 1 specifies that a complete set of financial statements should include such a statement. We have used "CP" to indicate disclosures that, while not required, are common practice or, in our view, are likely to be considered best practice.

The information which is only required to be disclosed in the directors' report or the financial statements of a listed company or group is highlighted by the use of ***black italics*** (see for example, the information on major customers and suppliers given on page 13).

Materiality

Materiality is relevant to the presentation and disclosure of items in financial statements. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

In accordance with paragraph 31 of HKAS 1, an entity need not provide a specific disclosure required by a HKFRS Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the HKFRS Accounting Standard contains a list of specific requirements or describes them as "minimum requirements". On the other hand, paragraph 17 of HKAS 1 indicates that an entity should consider whether it needs to provide disclosures in addition to those specifically required by a HKFRS Accounting Standard to help users understand the impact of a particular transaction or event on the entity's financial position and financial performance. In addition, obscuring material information with immaterial information in financial statements will make the financial statements less understandable. HKFRS Practice Statement 2, *Making materiality judgements,* provides guidance and examples on applying materiality in preparing financial statements, including accounting policy disclosures.

In this illustrative annual report, we have included example accounting policy disclosures that cover a wide range of transactions and circumstances, and monetary amounts some of which are very small. These accounting policy disclosures and numbers are included to assist users of this Guide and to illustrate the relationship between different captions and between the primary statements and the notes. They are not intended to illustrate the principle of materiality; therefore these disclosures and numbers, in and of themselves, should not be relied on as a guide to materiality judgement and minimum levels of disclosures.

Climate-related financial reporting impacts

HKFRS Accounting Standards do not refer explicitly to climate-related risks or matters. However, entities should consider climate-related matters in applying HKFRS Accounting Standards including the provision of financial statement disclosures when the effect of those matters is material. In this regard, the IASB has issued the following materials:

- an educational material which sets out non-exhaustive examples illustrating when IFRS Accounting Standards may require entities to consider the effects of climate-related matters in applying the principles in a number of accounting standards.
- an exposure draft which includes examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The IASB plans to publish a near-final draft in the third quarter of 2025, and expects to issue the final document in October 2025.

As HKFRS Accounting Standards are derived from IFRS Accounting Standards word-for-word, such guidance would also be relevant for reporters under HKFRS Accounting Standards.

For additional guidance on the potential financial statement impacts of climate-related matters, please refer to the "Clear on climate reporting" digital hub developed by KPMG's International Standards Group.

In this Guide, HK Listco as a result of its climate-related commitments plans to replace existing packaging machines with those that use fewer packaging materials. HK Listco has disclosed the impacts of this commitment in notes 11(g) and 34.

Compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board

Since the completion of the convergence project with effect from 1 January 2005, the HKICPA has maintained its policy of adopting word-for-word all amendments and Interpretations from their IFRS Accounting Standards equivalents and with the same effective dates. Hence the body of HKFRS Accounting Standards is almost identical to the body of IFRS Accounting Standards.

However, some legacy differences remain and these may still result in financial statements prepared under HKFRS Accounting Standards showing different amounts and disclosures than would have been shown by an entity that had adopted IFRS Accounting Standards. For example, entities which carried property, plant and equipment at revalued amounts in financial statements relating to periods ended before 30 September 1995 are not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16, *Property, plant and equipment*, even if the carrying amounts of the revalued assets are materially lower than the asset's fair values, provided that they have not revalued their property, plant and equipment subsequent to 30 September 1995.

Further information on these differences between HKFRS Accounting Standards and IFRS Accounting Standards can be found from a detailed comparison maintained by the HKICPA on their website.

In addition, an entity is required to apply IFRS 1, *First-time adoption of International Financial Reporting Standards*, when preparing its "first IFRS financial statements" as described in that standard. In this connection, IFRS 1 contains a number of elections that can be made on first time adoption of IFRS Accounting Standards and a number of other mandatory transitional requirements. This process of transition could also lead to differences between financial statements prepared in accordance with IFRS Accounting Standards and those that would have been prepared in accordance with HKFRS Accounting Standards (or other local GAAP) had the entity not transitioned to IFRS Accounting Standards.

Listed issuers which prepare their annual reports in accordance with IFRS Accounting Standards should check carefully the impact of these differences before using this Guide for reference[2].

S380
C(AS(PB))R

[2] Section 380 of the CO requires companies incorporated under the CO to prepare their annual financial statements in accordance with the applicable accounting standards "issued or specified" by the HKICPA. Accordingly, issuers incorporated under the CO can adopt IFRS Accounting Standards only when they assert dual compliance with both HKFRS Accounting Standards and IFRS Accounting Standards. Companies that are not incorporated under the CO, can choose to apply IFRS Accounting Standards or HKFRS Accounting Standards or both, as allowed by the Hong Kong Listing Rules.

Further information on this requirement and guidance on asserting dual compliance can be found in our Hong Kong Companies Ordinance Information Sheet "Meeting the requirement to comply with applicable accounting standards and asserting dual compliance", available from your usual KPMG contact.

HK Listco Ltd

香港上市有限公司

(Stock code: ●●●●)[3]

(formerly Model Electronics Company Limited)[4]

2025

Annual Report
for the year ended 31 December 2025

R13.51A — [3] A listed issuer shall set out its stock code in a prominent position on the cover page or, where there is no cover page, the first page of all announcements, circulars and other documents published pursuant to the MBLRs. For an issuer's annual report and interim report, SEHK would consider such requirement to be satisfied if the issuer's stock code is displayed prominently in the corporate or shareholder information section of the report.

HKAS 1.51(a) — [4] The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period should be prominently displayed and repeated when necessary for a proper understanding of the information presented.

Contents

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

HKAS 1.138(a) HK Listco Ltd ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 11/F New View Building, 100 Smith Street, Central, Hong Kong[5].

Principal activities and business review

S390(1)(b), (3) S388(1)(a), (2) The principal activities of the company and its subsidiaries ("the group") are the manufacturing and sale of electronic products, property development, property investment and carrying out construction activities for others. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance[6], including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages [●] to [●] of this Annual Report. That discussion forms part of this directors' report[7].

HKAS 1.138(a) 5 HKAS 1 requires disclosure of the address of the registered office of the company (or its principal place of business, if different from its registered office), if this information is not disclosed elsewhere in information published with the financial statements.

S388(1)(a), (2) Sch 5 6 The CO requires all companies incorporated under the CO to include a "business review" in accordance with Schedule 5 to the CO in their directors' report, unless they are specifically exempted under section 388 of the CO. Paragraph 28 of Appendix D2 to the MBLRs requires all listed entities, whether or not they are incorporated under the CO, to comply with Schedule 5, consistent with the SEHK's level playing field principle. This means that overseas issuers listed on the Stock Exchange of Hong Kong have also been required to include a business review in their directors' report.

At the invitation of the Companies Registry, the HKICPA has issued Accounting Bulletin 5 to provide guidance on the preparation and presentation of the business review. Our publication "A practical guide to the business review (May 2015)" provides further guidance applicable to listed companies. Our business review disclosure checklist, which helps listed companies ensure that the minimum requirements of Schedule 5 and the MBLRs are met and includes checkpoints to cover the guidance in Accounting Bulletin 5, can be obtained from your usual KPMG contact.

7 Section 388 and Schedule 5 to the CO requires the business review to be included in the directors' report. According to the response to Q15/Question A8 in the HKICPA's Q&A series on the CO (in the sub-section "Part A Directors' report" under the category "other than those relating to transition from the predecessor Ordinance (Cap. 32)"), this requirement can be met by including a cross reference in the directors' report to where this review is located if it is included elsewhere in the annual report. For example, given the similarities between the requirements of Schedule 5 and paragraphs 32 and 52 of Appendix D2 to the MBLRs, the requirements of Schedule 5 can be met by including a cross reference in the directors' report to the MD&A, provided that:

- the cross reference is clear and it is clearly stated that the cross referenced part of the annual report forms part of the directors' report; and
- the discussion and analysis in that MD&A is sufficient to meet the minimum content requirements of Schedule 5.

The cross reference illustrated here is made with reference to the example statement in Q15/Question A8. The HKICPA's Q&A series on the CO can be found on the HKICPA's website.

Major customers and suppliers

D2(31) *The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:*

		Percentage of the group's total	
		Sales	*Purchases*
D2(31)(3)	*The largest customer*	*[●]%*	
D2(31)(4)	*Five largest customers in aggregate*	*[●]%*	
D2(31)(1)	*The largest supplier*		*[●]%*
D2(31)(2)	*Five largest suppliers in aggregate*		*[●]%*

D2(31)(5) *At no time during the year have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the number of issued shares (excluding treasury shares) of the company) had any interest in these major customers and suppliers[8].*

Recommended dividend[9]

C(DR)R.7 An interim dividend of 30 cents per share (2024: 30 cents per share) was paid on 18 September 2025. The directors now recommend the payment of a final dividend of 60 cents per share (2024: 55 cents per share) in respect of the year ended 31 December 2025.

CP

Change of company's name[10]

By a special resolution passed on 10 January 2026, the name of the company was changed from Model Electronics Company Limited to HK Listco Ltd and the company adopted the Chinese name 香港上市有限公司 as part of its legal name.

Charitable donations

C(DR)R.4 Charitable donations made by the group during the year amounted to HK$[●] (2024: HK$[●])[11].

D2(31)(5) 8 Under paragraph 31(5) of Appendix D2 to the MBLRs, a listed issuer is required to give a statement of interests in the five largest suppliers or customers of:

- any shareholder which to the knowledge of the directors own more than 5% of the number of issued shares (excluding treasury shares) of the listed issuer,
- any of the directors; or
- any of the directors' close associates.

A negative statement is required when there are no such interests.

C(DR)R.7 9 Section 7 of Companies (Directors' Report) Regulation (Cap. 622D) requires companies to disclose the amount of dividends recommended by the directors for the financial year in the directors' report. Although not required, a negative statement explaining that no dividend is recommended for the year is a best practice.

HKAS 1.51(a) 10 Disclosure of change of company's name is optional in the directors' report, but should be in any event prominently displayed and repeated when it is necessary for a proper understanding of the information presented.

C(DR)R.4 11 The disclosure requirements in respect of donations do not apply if the entity is a wholly owned subsidiary of a company incorporated under the CO. Furthermore, donations are not required to be disclosed if the total amount of donations made by the company (or the group if the company has subsidiaries) during the year is less than $10,000.

Share capital[12]

C(DR)R.5 Details of the movements in share capital of the company during the year are set out in note 32(c) to the financial statements. Shares were issued during the year on exercise of share options and bonus issue. Details about the issue of shares are also set out in note 32(c) to the financial statements.

D2(10)(4)
R10.06(4)(b) *Except for the repurchase of the company's own ordinary shares as set out in note 32(c)(iii) to the financial statements, there were no purchases, sales or redemptions of the company's listed securities (including sale of treasury shares) by the company or any of its subsidiaries during the year[13]. Shares were repurchased during the year to reduce the dilutive effect of granting share options.*

Distributability of reserves[14]

D2(29) *At 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance and including the distributable amounts disclosed in note 32(d)(iii) to the financial statements[15], was $205,080,000 (2024: $168,369,000).* After the end of the reporting period the directors proposed a final dividend of 60 cents per ordinary share (2024: 55 cents per share), amounting to $59,700,000 (2024: $49,500,000) (note 32(b)). This dividend has not been recognised as a liability at the end of the reporting period.

Directors

S390(1), (3)

The directors during the financial year were:

Non-executive Chairman

Hon WS Tan

Executive directors

SK Ho, Chief Executive Officer
YK Ng
PK Smith (alternate: BB Nash)
CJ Wang (appointed on 18 June 2025)
BC Tong (resigned on 31 March 2025)

C(DR)R.5, 5A 12 Section 5 of C(DR)R requires disclosure of the following information in the directors' report if the company has issued any shares during the year:

- the reason for making the issue;
- the classes of shares issued; and
- for each class of share, the number of shares issued and the consideration received by the company for the issue.

Section 5A of C(DR)R requires similar disclosures for issue of debentures.

D2(10)(4) 13 A negative statement is required if there is no purchase, sale or redemption by the listed issuer, or any of its subsidiaries, of its listed securities (including sale of treasury shares) during the financial year.

D2(29) 14 Paragraph 29 of Appendix D2 to the MBLRs requires a listed issuer to include a statement of the reserves available for distribution to shareholders in its annual report. In the case of an issuer incorporated under the CO, the amount should be calculated with reference to the requirements of sections 291, 297 and 299 of Part 6 of the CO. In all other cases, paragraph 29 states that the amount should be calculated in accordance with any statutory provisions applicable in the listed issuer's place of incorporation or, in the absence of such provisions, with generally accepted accounting principles.

15 In May 2010, the HKICPA issued Accounting Bulletin 4 to provide further guidance on calculating distributable profits under the predecessor Companies Ordinance. As the requirements under the predecessor Companies Ordinance have been brought forward largely unchanged, the guidance in Accounting Bulletin 4 continues to be applicable under the CO even though, as of the time of writing, the CO section references have not yet been updated.

Independent non-executive directors

TY Sham
YH Li
AC Man

The following directors were appointed after the end of the financial year[16]:

AB Clark (appointed on 25 March 2026)
EF Graves (appointed on 25 March 2026)

A full list of the names of the directors of the group's subsidiaries can be found on the company's website at www.hk_listco.com.hk under "About HK Listco/Board of Directors".[17]

CP Messrs CJ Wang, AB Clark and EF Graves, having been appointed to the board since the date of the last annual general meeting, retire at the forthcoming annual general meeting in accordance with article 87 of the company's articles of association and, being eligible, offer themselves for re-election.

CP In accordance with article 88 of the company's articles of association, Mr PK Smith retires from the board by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

D2(14) *No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations[18].*

S390(1)(a)(ii) [16] The CO requires the disclosure of directors' names to the date of approving the directors' report. This means that the names of directors appointed after the financial year end but before the approval of directors' report should also be disclosed.

S390(1), (3)-(7) [17] If a company incorporated under the CO prepares consolidated financial statements, the CO requires the disclosure of directors' names in the directors' report of the company to include the names of the directors of all subsidiaries included in the consolidated financial statements, unless the criteria set out in section 390(6) are complied with. These criteria are that the list of names of the directors who were directors of the company's subsidiaries during the period or in the period since the year end and up to the date of the directors' report must be continually accessible throughout the period until the next directors' report is sent to the members.

Specifically, under section 390(6) this list must be accessible throughout that period in at least one of the following ways:

- The list is kept at the company's registered office and is made available for inspection by the members free of charge during business hours; or
- The list is made available on the company's website.

HK Listco has taken advantage of this relief by giving a cross reference to its website where the full list of names of directors can be found.

So far as issuers that are not incorporated under the CO are concerned, the requirement to disclose the names of the directors of subsidiaries in the directors' report was explicitly excluded from the level playing field requirements in the Listing Rules since 2015. This departure from the level playing field principle was explicitly stated in a footnote to paragraph 28 of Appendix D2 to the MBLRs and Rule 18.07A of the GEM Listing Rules.

D2(14.1) [18] In the case of an issuer which is duly incorporated in the Chinese Mainland as a joint stock limited company, references to directors shall also mean and include supervisors.

D2(6.3)(m)
D2(13)(1)
D2(13)(2)
PN5(3.2) &
(3.3)(1)

Directors'[19] interests and short positions in shares, underlying shares and debentures

The directors of the company who held office at 31 December 2025 had the following interests in the shares of the company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO:

(i) Interests in issued shares

	Ordinary shares					
	Personal interests (Note 1)	Family interests	Corporate interests	Trustee interests	Total number of shares held	% of total issued voting shares
Beneficial Interests						
HK Listco Ltd						
Hon WS Tan	650,000	250,000 (Note 2)	52,410,000 (Note 3)	-	53,310,000	53.0%
PK Smith	800,000	-	52,410,000 (Note 3)	-	53,210,000	52.9%
CJ Wang	300,000	-	-	-	300,000	0.3%
Cayman (Holding) Co. Ltd						
Hon WS Tan (Note 3)	420,000	-	-	-	420,000	42.0%
PK Smith (Note 3)	380,000	-	-	-	380,000	38.0%
BB Trading Ltd						
Hon WS Tan	-	5,000 (Note 2)	-	-	5,000	0.5%
PK Smith	3,000	-	-	-	3,000	0.3%
Timing Trading Ltd						
CJ Wang	2,000	-	-	-	2,000	20.0%
Non-beneficial Interests						
HK Listco Ltd						
YK Ng	-	-	-	90,000 (Note 4)	90,000	0.1%

PN5(3.2) *Notes:*

1 *The shares are registered under the names of the directors who are the beneficial shareholders.*
2 *The spouse of Hon WS Tan is the beneficial shareholder.*
PN5(4) 3 *Hon WS Tan and Mr PK Smith are beneficial shareholders of 42% and 38% respectively of the issued shares of Cayman (Holding) Co. Ltd which owned 52,410,000 shares in the company at 31 December 2025.[20]*
4 *Mr YK Ng is one of the trustees of HK Listco Pension Scheme which owned 90,000 shares in the company at 31 December 2025.[21]*

(ii) Interests in underlying shares

The directors of the company have been granted options under the company's share option scheme, details of which are set out in the section "Equity-linked agreements – Share option scheme" below.

D2(13) 19 Where the chief executive of an entity is not a member of the board, this disclosure should be extended to include disclosure of the chief executive's interests, to the same extent as is disclosed for the directors. In the case of an issuer which is duly incorporated in the Chinese Mainland as a joint stock limited company, references to directors or chief executive shall also mean and include supervisors.

PN5(3.2)
PN5(4) 20 Where the corporation holding the interest or short position is not wholly-owned by the person/corporation making the disclosure, the percentage interest held by such person/corporation in that corporation should be disclosed. Where there is any duplication between the interests, the extent of this duplication should be clearly stated.

21 Sections 25 and 27 of the Hong Kong Occupational Retirement Scheme Ordinance contain provisions which restrict the extent to which (a) an employee of the relevant employer can be a trustee of a registered scheme and (b) a registered scheme can hold shares in the relevant employer. Similar restrictions may also exist in other jurisdictions.

D2(13)(1) *Apart from the foregoing, none of the directors of the company or any of their spouses or children under eighteen years of age has 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 for Securities Transactions by Directors of Listed Issuers.*

C(DR)R.6

Equity-linked agreements[22]

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

D2(10)(1)&(2)
C(DR)R.6(2)

Convertible notes

On 31 December 2022, the company issued 2 tranches, Tranche A and B, of 5,000,000 convertible notes. Each tranche has a face value of HK$5,000,000 and a maturity date of 31 December 2027. The notes bear interest at [●]% per annum and are unsecured.

The rights of the noteholders to convert the notes into ordinary shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the noteholders' option.
- If a holder of Tranche A notes exercises their conversion rights, the company is required to deliver ordinary shares at a rate of one ordinary share for every 20 notes converted.
- If a holder of Tranche B notes exercises their conversion rights, the company has the right to choose whether to deliver ordinary shares at a rate of one ordinary share for every 20 notes converted, or whether to settle in cash at an amount equal to the fixed number of shares under the conversion option multiplied by the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the [●] days immediately preceding the date of conversion.

Notes of either tranche, in respect of which conversion rights have not been exercised, will be redeemed at face value on 31 December 2027.

C(DR)R.6 [22] Section 6 of the C(DR)R requires the disclosure for "equity-linked agreements", which are defined in section 6(3) of the C(DR)R to mean an agreement that will (or may) result in a company issuing shares, or an agreement requiring the company to enter into such agreement (such as, granting (or agreeing to grant) options to subscribe for shares, issuing convertible bonds, setting up a share option scheme or an employee share scheme).

Section 6(1) of the C(DR)R requires the disclosure for equity-linked agreements entered into during the year:

- the reason for entering into the agreement;
- the nature and terms of the agreement, including if applicable:
  - the conditions that must be met before the company issues any shares;
  - the conditions that must be met before a third party may require the company to issue any shares; and
  - any monetary or other consideration that the company has received or will receive under the agreement.
- the classes of shares issued under the agreements; and
- for each class of shares, the number of shares that have been issued under agreement.

Section 6(2) of the C(DR)R requires the disclosure for equity-linked agreements subsisting at the end of the year (e.g. if the options are unexercised):

- the classes of shares that may be issued under the agreement;
- for each class of shares, the number of shares that may be issued under the agreement;
- any monetary or other consideration that the company has received or will receive under the agreement; and
- any other conditions or terms that remain to be met before the shares are issued.

In addition to the above disclosures required by the CO, listed issuers are also subject to the requirements in Chapter 17 of the MBLRs and paragraphs 6.3 and 10 of Appendix D2 to the MBLRs to provide disclosures about share options, warrants, convertible securities and similar rights.

D2(6):Note 6.3(j)
R17.09
C(DR)R.6(2)

Share option scheme[23]

The company has a share option scheme which was adopted on 1 March 2021 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for ordinary shares of the company. *The purpose of the scheme is to provide an opportunity for employees of the group to acquire an equity participation in the company and to encourage them to work towards enhancing the value of the company and its shares for the benefit of the company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 28 February 2031, after which no further options will be granted.*

The exercise price of options is the highest of the nominal value of the shares (if any), the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant[24]. The options vest after one year from the date of grant and are then exercisable within a period of two years.

The total number of shares which may be issued under the share option scheme is 9,000,000 shares. *The number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to [●]% of the company's ordinary shares in issue.*

Up to 31 December 2025, 1,000,000 shares have been issued under the share option scheme, leaving 8,000,000 shares available for issue (including 6,000,000 shares issuable under options that have been granted but not yet lapsed or exercised). *At the date of this report, the total number of shares available for issue under the share option scheme remained at 8,000,000 shares, which represented 8% of the ordinary shares of the company in issue.*

R17.07(2) & (3)

The remaining number of options available for grant under the share option scheme as at 1 January 2025 and 31 December 2025 are 2,300,000 and 2,000,000 respectively[25]*. The number of shares that may be issued in respect of the options granted during the year is 500,000 shares, representing 0.5% of the weighted average number of ordinary shares in issue for the year.*

C(DR)R.3
D2(13)(2)
R17.07
PN5(3.2) & (3.3)(1)

At 31 December 2025, the directors and employees of the company had the following interests in options to subscribe for shares of the company (market value per share at 31 December 2025 was HK$6.70) granted for nil consideration under the share option scheme of the company[26]. As at 31 December 2025, the total grant date fair value of unexercised vested options and unvested options, measured in accordance with the accounting policy set out in note 1(x)(iii) to the financial statements, amounted to $3,450,000 and $100,000, respectively[27]. The options are unlisted. Once vested, each option gives the holder the right to subscribe for one ordinary share of the company. Assuming that all the options outstanding as at 31 December 2025 are exercised, the company will receive proceeds of $36,250,000[27].

R17.01

23 Chapter 17 of the MBLRs governs share option schemes and share award schemes (collectively referred as the "share schemes") and includes specific disclosure requirements.

In this illustration, it is assumed that HK Listco only has one single share option scheme at the parent level, and that is funded by the issuance of new shares. Listed issuers should refer to Chapter 17 of the MBLRs if they have other types of share option or share award schemes, in particular if they have schemes funded by existing shares (Rule 17.12) or scheme at the principal subsidiary level (Rules 17.13 to 15).

R17.09(8)

24 Chapter 17 of the MBLRs requires, for each scheme, the disclosure of the basis of determining the exercise price of the share options granted, or the purchase price of shares awarded.

R17.07(2)

25 In this illustration, it is assumed that the participants of HK Listco's share option scheme do not include any service providers. If a listed issuer's share scheme includes service providers, it should disclose the number of share options and awards available for grant under the sublimit applicable to service providers at the beginning and the end of the financial year.

	No. of options outstanding at the beginning of the year	*No. of options granted during the year*	*No. of shares acquired on exercise of options during the year*	*No. of options forfeited during the year*	*No. of options outstanding at the year end*	*Date granted*	*Vesting period*	*Period during which options are exercisable*	*Exercise price per share*	*Market value per share at date of grant of options*	*Market value per share on exercise of options**
Directors											
YK Ng	*200,000*	*-*	*(200,000)*	*-*	*-*	*1 November 2022*	*1 November 2022 to 31 October 2023*	*1 November 2023 to 31 October 2025*	*HK$6.0*	*HK$6.0*	*HK$6.6*
	500,000	*-*	*(500,000)*	*-*	*-*	*1 July 2024*	*1 July 2024 to 30 June 2025*	*1 July 2025 to 30 June 2027*	*HK$6.0*	*HK$6.0*	*HK$6.6*
PK Smith	*800,000*	*-*	*(300,000)*	*-*	*500,000*	*1 July 2024*	*1 July 2024 to 30 June 2025*	*1 July 2025 to 30 June 2027*	*HK$6.0*	*HK$6.0*	*HK$6.6*
BC Tong	*200,000*	*-*	*-*	*(200,000)*	*-*	*1 July 2024*	*1 July 2024 to 30 June 2025*	*1 July 2025 to 30 June 2027*	*HK$6.0*	*HK$6.0*	*-*
Employees	*5,000,000*	*-*	*-*	*-*	*5,000,000*	*1 July 2024*	*1 July 2024 to 30 June 2025*	*1 July 2025 to 30 June 2027*	*HK$6.0*	*HK$6.0*	*-*
	-	*500,000#*	*-*	*-*	*500,000*	*1 May 2025*	*1 May 2025 to 30 April 2026*	*1 May 2026 to 30 April 2028*	*HK$6.5*	*HK$6.5*	*-*

The options granted to the directors are registered under the names of the directors who are also the beneficial owners.

R17.07(1)(c) *# The grant date fair value of options granted to the other employee participants during the financial year is HK$0.4. Information on the accounting policy adopted for share options granted in accordance with HKFRS 2, Share-based Payment, and the methodology and assumptions used in calculating the fair value of the options are provided in note 1(x)(iii) and note 29 to the financial statements[28,29].*

R17.07(1)(d) ** Being the weighted average closing price of the company's ordinary shares immediately before the dates on which the options were exercised, as applicable.*

R17.07 [26] The information set out in the table under "Share option scheme" sub-section of "Equity-linked agreements" in the illustrative directors' report is required to be disclosed in relation to share options and awards granted and to be granted to:

a) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates;
b) each participant with options and awards granted and to be granted in excess of the 1% individual limit;
c) each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue (excluding treasury shares); and
d) other employee participants, related entity participants and service providers by category.

In this illustration, it is assumed that HK Listco only has share options granted to directors and employee participants, and the grants do not exceed the 1% individual limit.

C(DR)R.6(2)(c) [27] Section 6(2)(c) of C(DR)R requires the disclosure of any monetary or other consideration that an entity "has received or will receive" under the equity-linked agreements subsisting at the end of the year. In respect of share options and warrants, the consideration that an entity "has received or will receive" typically comprises two components:

a) the premium paid (or payable) when the option or warrant was issued; and
b) the strike price i.e. the amount that the option/warrant holders would pay if they choose to exercise their rights to subscribe for shares.

In respect of share option schemes which fall under HKFRS 2, the premium paid or payable (i.e. component (a)) comprises the fair value of the goods or services that will be received from the grantee in exchange for the grant, in addition to any other consideration provided by the grantee (often any other consideration is just a nominal amount). Therefore, to satisfy the CO disclosure requirement, an entity needs to disclose the grant date fair value of any unexercised options as the best estimate that the entity has of the "other consideration" that has been or will be provided by the grantee. This information will be available in the accounting records but will generally not already be disclosed in the financial statements. This is because the grant date fair value information is only disclosable under HKFRS 2 in the year of the grant, whereas the CO requirement is to disclose the amount of consideration that has been or will be received in respect of any equity-linked arrangements that are subsisting at the year end. This is in addition to disclosing how much would be received if those options were exercised.

R17.07(1)(c) [28] Rule 17.07(1)(c)(v) of the MBLRs requires disclosures in annual reports the grant date fair value of the share options and awards granted during the financial year, and the accounting standard and policy adopted by each participant or category of participants. The latter disclosure has been illustrated in note 1(x)(iii) and 29(c) to the illustrative financial statements as part of the disclosures required also by HKFRS 2.

In addition, note to Rule 17.07(1)(c) requires listed issuers to calculate the fair value of share options and awards in accordance with the accounting standards and policies adopted for preparing its financial statements, and disclose the methodology and assumptions used, including but not limited to:

(1) In the case of share options, a description of the option pricing model and details of the significant assumptions and inputs used in that pricing model, such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation of how these significant assumptions and inputs have been determined.
(2) In the case of share awards, a description of the basis for fair value measurement and information on whether and how the features of the awards (for example, the expected dividends) have been incorporated in fair value measurement.

In this illustration, it is assumed that HK Listco granted options to only one category of participants during the financial year. If a listed issuer grants share options or awards to different participants or categories of participants, consideration should be given to whether the disclosures should be disaggregated by each participant or category of participants to meet the requirements in Rule 17.07(1)(c).

R17.07(1)(c)(iii) [29] In this illustration, it is assumed that there is no performance target under HK Listco's share option scheme. If a listed issuer grants share options and awards with performance targets, these targets should be disclosed.

C(DR)R.3 [30] The example disclosure under "Share option scheme" sub-section of "Equity-linked agreements" in the illustrative directors' report illustrates the information required to be disclosed to meet both the requirements of the C(DR)R and the MBLRs. Unlisted companies need only comply with the requirements of the C(DR)R which, in addition to the disclosure requirements in section 6 of the C(DR)R relating to "equity-linked agreements" (see footnote 22), include the disclosure requirements in section 3 of the C(DR)R relating to arrangements "whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares on, or debentures of, the company or any other body corporate". Therefore, if the directors are a party to the equity-linked agreements disclosable under section 6 of the C(DR)R or other arrangements involving debentures, and these agreements have arisen under arrangements "whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of acquisitions in the shares of the company or any other body corporate" disclosable under section 3 of the C(DR)R, then the company (whether listed or not) will need to disclose a statement explaining the effect of these arrangements and the names of the directors who held shares or debentures acquired under those arrangements to satisfy the requirements in both sections.

Although not required, a negative statement explaining that no such arrangement exists is best practice.

R1.01 [31] "Substantial shareholders" are persons (including holders of depositary receipts other than depositaries) who are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company. Note that this definition is modified for the purposes of Rule 14A, *Equity securities - Connected Transactions* of the MBLRs by Rule 14A.29.

PN5(3.1) "Other persons" are persons who are required pursuant to Part XV of the Securities and Futures Ordinance to notify the company of their interests and short positions in the company's shares and underlying shares, but who are not substantial shareholders, directors or chief executives of the company.

CP Apart from the foregoing, at no time during the year was the company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.[30]

Substantial shareholders' and other persons'[31] interests and short positions in shares and underlying shares

D2(13)(3) PN5(3.2), (3.4)(1) & (3.5)(1) *The company has been notified of the following interests in the company's issued shares at 31 December 2025 amounting to 5% or more of the ordinary shares in issue:*

	Ordinary shares			
	Registered shareholders	*Corporate interests*	*Total number of ordinary shares held*	*% of total issued voting shares*
Substantial shareholders				
Safety International Holdings Ltd	-	*11,750,000 (Note)*	*11,750,000*	*11.69%*
Safety Company Ltd (Note)	*11,750,000*	-	*11,750,000*	*11.69%*
Cayman (Holding) Co. Ltd	*52,410,000*	-	*52,410,000*	*52.15%*
Other persons				
Modern Trading Ltd	*7,537,500*	-	*7,537,500*	*7.50%*

PN5(4) *Note: The register of interests in shares and short positions kept under section 336 of the SFO indicates that the interest disclosed by Safety International Holdings Ltd is the same as the 11,750,000 shares disclosed by Safety Company Ltd, its 100% owned subsidiary[20]. Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.*

Sufficiency of public float

D2(34A) *Based on the information that is publicly available to the company and within the knowledge of the directors of the company as at the date of this annual report, the company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").*

Indemnity of directors

C(DR)R.9 A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year. [32]

Directors' interests in transactions, arrangements or contracts

D2(15) No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or entities connected with the director had a material interest, subsisted at the end of the year or at any time during the year.[33]

C(DR)R.9 [32] Companies are required to disclose "permitted indemnity provisions", which are defined as a provision that provides for indemnity against liability incurred by a director of the company to a third party and meets the requirements specified in section 469(2) of the CO. When a permitted indemnity provision is in force when the directors' report is approved or was in force at any time during the financial year, companies are required to include a statement in the directors' report to state this fact.

Bank loans and other borrowings

D2(22) *Particulars of bank loans and other borrowings of the group as at 31 December 2025 are set out in notes 25 to 27 to the financial statements.*

Five year summary

D2(19) *A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on pages 199 and 200 of the annual report.*

Properties

D2(23) *Particulars of the major properties and property interests of the group are shown on page 198 of the annual report.*

Retirement schemes and other post-employment benefits

D2(26) *The group operates two defined benefit retirement schemes which cover [●]% of the group's employees, and a Mandatory Provident Fund scheme. The employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met. Particulars of these post-employment benefits are set out in note 28 to the financial statements.*

Confirmation of independence

D2(12B) *The company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.*

Auditors

D2(30) *KPMG were first appointed as auditors of the company in 2023 upon the retirement of Wood & Co*[34].

CP KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.[35]

By order of the board

S391 F. Cullen[36]
Secretary

27 March 2026

C(DIBD)R.22
C(DR)R.10

33 The CO requires the disclosure of directors' material interests in significant transactions, arrangements or contracts. Specifically, the requirement is prescriptive about the location of disclosures such that:

- if the transaction, arrangement or contract relates to the company, then it is now required to be disclosed in the financial statements (section 383(1)(e) and C(DIBD)R section 22); whereas
- if the transaction, arrangement or contract relates to the company's parent, subsidiary or fellow subsidiary (collectively referred to as "specified undertakings" in the CO), then it is still required to be disclosed in the directors' report (C(DR)R section 10).

D2(15) A similar requirement to disclose directors' material interests in significant transactions, arrangements or contracts is found in paragraph 15 of Appendix D2. In the case of a listed issuer which is duly incorporated in the Chinese Mainland as a joint stock limited company, references to directors shall also mean and include supervisors. Paragraph 15 specifically requires a negative statement when there are no such interests to be disclosed, and it has been a common practice for non-listed companies to also make such a statement.

If there have been no such transactions, arrangements or contracts, then a negative statement covering both categories of transactions (i.e. including those involving the company and those involving the company's specified undertakings) can continue to be included in the directors' report as illustrated.

If there have been such transactions, arrangements or contracts involving directors of the company, care needs to be taken to ensure that they are disclosed in the correct location in the annual report. Giving a modified negative statement with reference to where the disclosures may be found is best practice. An example of such a modified negative statement is given below, which assumes that the directors had material interests in significant transactions etc involving the company as well as having interests in transactions etc involving other group companies:

[Disclose details of any transaction, arrangement or contract of significance to which any of the company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or entities connected with the director had a material interest]

Apart from [the above] [and] [the details disclosed in note xx to the financial statements], no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or entities connected with the director had a material interest, subsisted at the end of the year or at any time during the year.

D2(30) 34 Disclosure of a statement of any change in auditors in any of the preceding three years is required under the MBLRs.

35 Disclosure of such information relating to auditors is optional, but commonly done.

S391(2) 36 Section 391(2) of the CO requires the directors' report to state the name of the director or company secretary who signed the directors' report on the directors' behalf.

S405
HKSA
700.21 & 22

Independent auditor's report to the members of HK Listco Ltd[37]

CP

(incorporated in Hong Kong with limited liability)[38]

S406
HKSA
700.23 & 24

Opinion

We have audited the consolidated financial statements of HK Listco Ltd ("the company") and its subsidiaries ("the group") set out on pages 30 to 197, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss[39], 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[40] of the group as at 31 December 2025 and of its consolidated financial performance[40] 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 Hong Kong Companies Ordinance.

HKSA
700.28

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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.

HKSA
700.30

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.

[*Heading: name the specific key audit matter*][41]	
Refer to notes [...] to the consolidated financial statements and the accounting policies on page [...].	
The Key Audit Matter	**How the matter was addressed in our audit**
[*description*] We identified [*name of specific key audit matter*] as a key audit matter because [...]	Our audit procedures to [...] included the following: • ...

[37] The auditor's report illustrated here is prepared with reference to Illustration 2 of the Appendix to HKSA 700 (Revised). This Illustration has been updated for:

- Mandatory disclosure of the auditor's name and practising certificate number for audits of financial statements that are prepared for reporting under the laws and regulations in Hong Kong conducted in accordance with Hong Kong Standards on Auditing, applicable for periods ending on or after 31 March 2025; and
- Changes to the HKICPA's Code of Ethics for Professional Accountants requiring auditors to publicly disclose the fact when the independence requirements for PIEs have been applied in an audit of financial statements, applicable for periods beginning on or after 15 December 2024.

[38] It is a common local practice to disclose the place of incorporation of the company in the auditor's report.

The auditor's report illustrated here is suitable for companies incorporated under the CO preparing consolidated financial statements. Example auditor's reports for Chinese Mainland, Cayman Islands and Bermuda incorporated companies listed on the Stock Exchange of Hong Kong are included at the end of Appendix G to this Guide.

HKSA 700.24(c)
HKAS 1.10A

[39] Paragraph 24(c) of HKSA 700 (Revised) requires the title of each of the statements that comprise the complete set of financial statements be identified in the opinion section of the auditor's report. As HK Listco has chosen to present income and expenses using a two-statement format, i.e. by presenting both a consolidated statement of profit or loss and a consolidated statement of profit or loss and other comprehensive income (see footnote 46), the opinion section of the auditor's report has identified both the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as parts of the complete set of financial statements.

S406

[40] Section 406 of the CO specifically requires the terms "financial position" and "financial performance" to be used in statement of the auditor's opinion.

Although not required, companies that are not incorporated under the CO may also adopt the above terminology to align with the Hong Kong practice, unless there is requirement to the contrary in the company laws of their country of incorporation.

HKSA 700.30

[41] For audits of complete sets of general purpose financial statements of listed entities, the auditor is required to describe key audit matters in the auditor's report in accordance with HKSA 701. "Key audit matters" are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period.

The auditor should describe each key audit matter by using an appropriate subheading and by including the following information:

- a reference to any related financial statement disclosures;
- an explanation as to why the matter was considered to be of most significance in the audit; and
- a description of how the matter was addressed in the audit.

HKSA 700.32
HKSA 720.21 & 22

Information other than the consolidated financial statements and auditor's report thereon[42]

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.

HKSA 700.33-36

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 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.

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42 The wording illustrated here is only appropriate when the auditor has obtained all of the other information at least in draft form prior to the date of the auditor's report and has not identified a material misstatement in the other information. If the auditor has in fact only obtained part or none of the other information prior to the date of the auditor's report, then the wording will need to be modified to describe this fact. Please talk to your usual KPMG contact if you would like further information about this requirement.

In addition, the wording illustrated here should be modified in the following situations:

(a) if the auditor's report contains an unmodified opinion but auditor concludes that a material misstatement of the other information exists; or
(b) if the auditor's report contains a qualified opinion due to a limitation of scope/adverse opinion on the financial statements which also affects the other information.

Illustrative wording for such situations can be found in Illustrations 5 to 8 of HKSA 720 (Revised).

HKSA 700.37-40

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.[43]

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.[37]

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.

[43] The HKICPA issued a Professional Risk Management Bulletin No.2 ("the Bulletin"), recommending to its practising members to adopt a revised wording for the statement of auditor's responsibilities in statutory audit reports. The revised statement of responsibilities clarifies that the auditor's duty of care and responsibilities are owed under the CO to the shareholders, as a body, and not to third parties. It does not change the duty and responsibilities of auditors under the CO. Our firm follows the recommendation in the Bulletin and adopts the revised statement in our reports.

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.

HKSA 700.46, A65-1

The engagement partner on the audit resulting in this independent auditor's report is [*partner's name as appearing on his/her Practising Certificate*] (practising certificate number: *[XXXXXX]*).[44]

HKSA 700.47

KPMG
Certified Public Accountants

HKSA 700.48

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

HKSA 700.49

27 March 2026

HKSA 700.46, A65-1

[44] For auditor's reports for an audit of an entity's financial statements that are prepared for reporting under the laws and regulations in Hong Kong and conducted in accordance with Hong Kong Standards on Auditing, inclusion of name and practising certificate number of the engagement partner is required regardless of whether the entity is listed or not.

HKAS 1.8, 10, 10A | 45 In this illustration, HK Listco uses the titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income", which are the titles used in HKAS 1. However, as allowed by paragraph 10 of HKAS 1, an entity may use other titles, such as "Income statement" and "Statement of comprehensive income".

Similarly, although HKAS 1 uses the terms "other comprehensive income", "profit or loss" and "total comprehensive income", an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term "net income" to describe profit or loss.

Whatever titles and terms are used, care should be taken to ensure that they are used consistently throughout the financial statements.

HKAS 1.106 | 46 HKAS 1 requires an entity to separately present non-owner changes in equity (i.e. items of income and expense) from owner changes in equity (i.e. all other changes in equity, such as from capital injections or dividends paid).

HKAS 1.7, 81A-82A | For non-owner changes in equity, the standard uses the term "total comprehensive income" to refer to all items of income and expense, whether or not recognised in profit or loss. HKAS 1 allows a choice of format for disclosing comprehensive income between either:

(i) presenting a statement of profit or loss to arrive at "profit or loss", and then immediately afterwards presenting a statement of profit or loss and other comprehensive income which begins with "profit or loss" for the period (as derived from the statement of profit or loss) and then presents all other items of comprehensive income (such as changes in revaluation surplus on property, plant and equipment under paragraphs 39 and 40 of HKAS 16) in order to arrive at "total comprehensive income"; or
(ii) presenting all items of total comprehensive income in a single statement of profit or loss and other comprehensive income.

In this illustration, HK Listco has opted for the two-statement approach in (i) above.

HKAS 1.113 | 47 Each item on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income shall be cross-referenced to any related information in the notes.

HKAS 1.29, 30A, 85 | HKAS 1 requires an entity to present separately items of a dissimilar nature or function, unless they are immaterial, and take into consideration all relevant facts and circumstances in deciding how it aggregates information in the financial statements. The entity should not reduce the understandability of the financial statements by aggregating material items that have different natures or functions. In some cases, the entity may need to further disaggregate the line items in the statement of financial position and the statement of profit or loss and other comprehensive income beyond the "minimums" prescribed in HKAS 1 to improve the understandability of the financial statements. However, the entity need not disclose immaterial information, even though the information is specifically required by a HKFRS or is described as "minimum requirement".

HKAS 1.85A-85B | HKAS 1 also requires that when an entity presents additional subtotals (i.e. in addition to those specifically required by HKFRS) in the statement of financial position and statement of profit or loss and other comprehensive income, it should also present line items that reconcile those additional subtotals with the subtotals or totals required by HKFRS.

HKAS 1.99 | 48 The analysis of expenses can be shown either on the face of the statement of profit or loss (or the statement of profit or loss and other comprehensive income if a separate statement of profit or loss is not presented), or in the notes. The analysis presented here is referred to as the "function of expense" or "cost of sales" method (paragraph 103 of HKAS 1). The analysis could alternatively be presented using a classification based on the nature of expenses (paragraph 102 of HKAS 1).

HKAS 2.38 | When an entity classifies expenses based on function, HKAS 2 notes that the amount of inventories recognised as an expense during the period (often referred to as "cost of sales") consists of those costs previously included in the measurement of inventory that has now been sold, and unallocated production overheads and abnormal amounts of production costs of inventories.

In our view, cost of sales includes only costs directly related to the provision of goods or services for which the entity recognises revenue. These costs include those directly or indirectly attributable to the production process or the delivery of a service, such as direct materials (including any net realisable value write-downs or reversals, and inventory discounts or rebates), and the related salaries and wages, depreciation of assets used and repair and maintenance costs. In some cases, it may also include distribution, packaging and transport costs.

HKAS 1.45 & 85 | 49 Neither HKAS 1 nor HKAS 40 prescribes where movements in the fair value of investment property should be presented on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income, nor whether they should be separately presented from other items of income and expense. However, once a form of presentation has been adopted by an entity, it should be followed consistently from one period to the next unless it is apparent that another presentation would be more appropriate.

HKAS 1.10A & 51
D2(4)(1)

Consolidated statement of profit or loss[45, 46, 47] for the year ended 31 December 2025

HKAS 1.113 (Expressed in Hong Kong dollars)

		Note	2025	2024
HKAS 1.51(e)			**$'000**	$'000
HKAS 1.82(a)	**Revenue**	3	**1,084,895**	985,240
HKAS 1.99	Cost of sales[48]		**(808,507)**	(733,575)
HKAS 1.85	**Gross profit**		**276,388**	251,665
HKAS 1.85	Valuation gains on investment property		**22,980**	8,520
HKAS 1.85	Valuation losses on investment property		**(4,720)**	(2,000)
HKAS 1.85	**Net valuation gain on investment property[49]**	11	**18,260**	6,520
HKAS 1.85	Other income[50]	4	**11,119**	9,190
HKAS 1.99	Distribution costs[48]		**(62,919)**	(57,328)
HKAS 1.99	Administrative expenses[48]		**(86,689)**	(81,996)
HKAS 1.99 HKAS 38.126	Research and development costs[48, 51]		**(7,530)**	(4,560)
HKAS 1.82(ba)	Impairment loss on trade receivables and contract assets[52]	33(a)	**(2,300)**	(1,720)
HKAS 1.99	Other operating expenses[48, 53]		**(953)**	(702)
HKAS 1.85	**Profit from operations**		**145,376**	121,069
HKAS 1.82(b)	Finance costs[54]	5(a)	**(20,618)**	(16,166)
HKAS 28.38 HKAS 1.82(c)	Share of profits less losses of associates		**13,830**	12,645
	Share of profits of joint venture		**10,670**	10,135
HKAS 1.85	**Profit before taxation**	5	**149,258**	127,683
HKAS 1.82(d) HKAS 12.77	Income tax	6(a)	**(24,475)**	(21,335)
HKAS 1.81A(a)	**Profit for the year**		**124,783**	106,348
HKAS 1.81B(a)	**Attributable to:**			
	Equity shareholders of the company		**114,367**	96,181
HKFRS 10.B94	Non-controlling interests		**10,416**	10,167
HKAS 1.81A(a)	**Profit for the year**		**124,783**	106,348
HKAS 33.66	***Earnings per share[55]***	10		
	Basic		***$1.15***	*$0.97*
	Diluted		***$1.14***	*$0.97*

The notes on pages 41 to 197 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 32(b)[56].

HKAS 1.82(a)

[50] In this illustration, HK Listco's interest income arises from bank deposits, loans to associates and refundable rental deposits. As HK Listco does not consider such interest income as income arising in the course of its ordinary activities, it includes interest income as part of "other income". If the interest income constituted part of income arising in the course of ordinary activities and therefore "revenue", then paragraph 82(a) of HKAS 1 requires an entity to present interest revenue, calculated using the effective interest method, separately from other sources of revenue.

HKAS 38.126-127

[51] In this illustration, HK Listco presents its expenses by function (see footnote 48), and regards "research and development" as a separate function within the entity.

For research and development expenditure, an entity is required to disclose the aggregate amount recognised as an expense during the period. Research and development expenditure comprises all expenditure that is directly attributable to research and development activities. Paragraph 66 of HKAS 38 provides the following examples of directly attributable costs:

- costs of materials and services used or consumed in generating the intangible asset;
- costs of employee benefits arising from the generation of the intangible asset;
- fees to register a legal right; and
- amortisation of patents and licences that are used to generate the intangible asset.

HKAS 1.82(ba)

[52] Paragraph 82(ba) of HKAS 1 requires an entity to present impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with HKFRS 9 as a single amount in the statement of profit or loss/the statement of profit or loss and other comprehensive income.

HKAS 1.82

[53] In addition to the items separately presented in this illustration, paragraph 82 of HKAS 1 requires the following line items to be presented as separate items on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income:

- gains and losses arising from the derecognition of financial assets measured at amortised cost;
- if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date;
- if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss.

These items have not been illustrated as HK Listco did not have events or transactions to be reflected in those line items during the reporting period.

HKAS 1.82(b)

[54] In accordance with paragraph 82(b) of HKAS 1, finance costs (including interest expense on the lease liability as stated in paragraph 49 of HKFRS 16) are required to be disclosed as a separate item on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income. This amount should be stated gross, i.e. it should not be net of finance income, although in our view an additional line item for "net finance costs" would be acceptable.

HKAS 33.4, 4A & 66

[55] As stated in footnote 46, HKAS 1 allows entities to present comprehensive income using either a one-statement approach (i.e. a single "statement of profit or loss and other comprehensive income") or a two-statement approach (i.e. a "statement of profit or loss" together with a "statement of profit or loss and other comprehensive income"). HKAS 33 requires the presentation of basic and diluted earnings per share in the separate statement of profit or loss if such a statement is presented or in the statement of profit or loss and other comprehensive income if an entity opts for the single-statement approach.

In addition, where the entity has reported amounts relating to discontinued operations, basic and diluted earnings per share amounts should be disclosed in the relevant statement for both (a) profit or loss from continuing operations attributable to the parent entity and (b) profit or loss attributable to the parent entity (i.e. profit or loss including discontinued operations). Also, all these disclosures shall be made separately for each class of ordinary share that has a different right to share in profit for the period.

HKAS 1.IN16, 107, BC75

[56] HKAS 1 does not permit an entity to disclose the amount of dividends to equity owners in either the statement of profit or loss or the statement of profit or loss and other comprehensive income. Instead, as such dividends are an owner change in equity, they are required to be reported in the statement of changes in equity or in the notes. However, as it has been commonplace to refer to dividends in the statement of profit or loss, we expect that users will find useful a cross reference, such as is illustrated here, to where details of the dividends can be found in the financial statements.

HKAS 1.10(b) & 51

Consolidated statement of profit or loss and other comprehensive income[45, 46, 47] for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

		Note	2025	2024
HKAS 1.113 HKAS 1.51(e)			**$'000**	$'000
HKAS 1.81A(a)	**Profit for the year**		**124,783**	106,348
HKAS 1.81A(b)	**Other comprehensive income[57] for the year (after tax[58] and reclassification adjustments[57])**	9		
HKAS 1.82A(a)	Items that will not be reclassified to profit or loss[57]:			
	Surplus on revaluation of land and buildings held for own use	9(a)	**25,152**	6,312
	Remeasurement of defined benefit plan obligations	28(b)(v) & (c)	**(9)**	(10)
	Equity investments at FVOCI – net movement in fair value reserves (non-recycling)[59]		**90**	50
			25,233	6,352
HKAS 1.82A(b)	Items that are or may be reclassified subsequently to profit or loss[57]:			
	Exchange differences on translation of:			
	- financial statements of overseas subsidiaries		**(2,173)**	1,047
	- related borrowings	33(d)(iii)	**494**	(219)
			(1,679)	828
	Cash flow hedge: net movement in the hedging reserve		**(286)**	(264)
			(1,965)	564
	Other comprehensive income for the year		**23,268**	6,916
HKAS 1.81A(c)	**Total comprehensive income for the year**		**148,051**	113,264
	Attributable to:			
HKAS 1.81B(b)	Equity shareholders of the company		**137,782**	103,024
HKFRS 10.B94	Non-controlling interests		**10,269**	10,240
HKAS 1.81A(c)	**Total comprehensive income for the year**		**148,051**	113,264

The notes on pages 41 to 197 form part of these financial statements.

HKAS 1.82A

[57] Entities are required to present the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. the effective portion of a cash flow hedge that is recognised in other comprehensive income) separately from those that would never be reclassified to profit or loss (e.g. revaluation surplus of property, plant and equipment).

Also, the items of other comprehensive income arising from equity accounted investments should be presented in aggregate in two line items as follows:

- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

In this illustration, HK Listco did not have any share of other comprehensive income of associates and joint ventures during the reporting period.

HKAS 1.92-96

Individual HKFRS Accounting Standards specify whether and when amounts that were previously recognised in other comprehensive income are reclassified to profit or loss as follows:

- Items that will not be reclassified to profit or loss:
  - changes in the revaluation surplus recognised in respect of right-of-use assets under paragraph 35 of HKFRS 16, items of property, plant and equipment recognised under paragraphs 39 and 40 of HKAS 16, or intangible assets under paragraphs 85 and 86 of HKAS 38;
  - remeasurements of net defined benefit liability (asset) under paragraphs 120(c), 127 to 130 of HKAS 19;
  - remeasurements of equity investments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of HKFRS 9;
- Items that may be reclassified subsequently to profit or loss:
  - gains and losses arising from translating a monetary item that forms part of the net investment in a foreign operation and from translating the financial statements of a foreign operation in accordance with paragraphs 32 and 39 of HKAS 21;
  - gains and losses on remeasuring debt investments in accordance with paragraph 4.1.2A of HKFRS 9;
  - the effective portion of gains and losses on hedging instruments in a cash flow hedge or hedge of a net investment in a foreign operation in accordance with paragraphs 6.5.11(d) and 6.5.14 of HKFRS 9.

Reclassification adjustments are included with the related components of other comprehensive income in the period these adjustments are reclassified to profit or loss. The adjustments should be either separately disclosed on the face of the statement of profit or loss and other comprehensive income, or in the notes. In this illustration, the reclassification adjustments are presented separately in note 9 to the financial statements, with the net amounts for each item of other comprehensive income being presented in the statement of profit or loss and other comprehensive income.

HKFRS 9.6.5.11(d)

In accordance with paragraph 6.5.11(d) of HKFRS 9, when (i) a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or (ii) a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value accounting is applied, an entity should remove that amount from the cash flow hedge reserve and include it directly in the initial carrying amount of the asset or liability (i.e. a basis adjustment). Such removal is not a reclassification adjustment under HKAS 1, and therefore does not impact other comprehensive income. In this illustration, the basis adjustment is shown as a separate line item in the consolidated statement of changes in equity.

HKAS 1.90-91

[58] Entities are allowed to present the items of other comprehensive income on the face of the statement of profit or loss and other comprehensive income either (i) net of related tax effects, or (ii) before related tax effects with the aggregate tax shown separately. If alternative (ii) is elected, then the "aggregate" amount should be allocated between the items that may be reclassified subsequently to profit or loss and those that will not be reclassified subsequently to profit or loss. Irrespective of the approach taken, the entity should disclose the tax amount relating to each item of other comprehensive income in the notes, to the extent that this information is not provided on the face of the statement of profit or loss and other comprehensive income.

In this illustration, HK Listco has taken the alternative (i), i.e. presenting the after-tax amounts in the statement of profit or loss and other comprehensive income. Disclosure of the tax attributable to individual items of other comprehensive income is given in note 9 to the financial statements.

[59] As explained in footnote 57, HKAS 1 requires an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss in the statement of profit or loss and other comprehensive income. Although there are no such requirements for the statement of changes in equity, it may be useful to specify whether the fair value reserves are recycling or not.

In this illustration, HK Listco only has equity instruments that are designated at FVOCI, for which the accumulated other comprehensive income will not be reclassified to profit or loss (i.e. non-recycling). Accordingly, it has labelled the corresponding fair value reserve as such.

[60] The CO explicitly uses the term "statement of financial position" in different sections, including section 387 and section 2 of Part 1 of Schedule 4 to the CO. Given that these requirements explicitly refer to "statement of financial position", we believe that the company should use the title "statement of financial position", and not other titles such as "balance sheet". The term "statement of financial position" is also in line with the terminology in Appendix D2 to the MBLRs.

HKAS 1.10(f), 40A-D

[61] HKAS 1 requires entities to include a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items, or when it reclassifies items; and such retrospective application, restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

HKAS 1.113

[62] Each item on the face of the statement of financial position shall be cross-referenced to any related information in the notes.

HKAS 1.29, 30A

As discussed in footnote 47, HKAS 1 requires an entity to present separately items of a dissimilar nature or function, unless they are immaterial, and take into consideration all relevant facts and circumstances in deciding how it aggregates information in the financial statements. Specifically, an entity should not reduce the understandability of the financial statements by aggregating material items that have different natures or functions.

HKAS 1.55, 57-58

An entity should also present additional line items, headings and subtotals (i.e. in addition to those specifically required by HKFRS Accounting Standard) in the statement of financial position when the size, nature or function of an item (or aggregation of similar items) is such that separate presentation is relevant to an understanding of the entity's financial position. In assessing whether it is required to present additional items separately, an entity considers:

- the nature and liquidity of assets;
- the function of assets within the entity; and
- the amounts, nature and timing of liabilities.

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[63] Although there is no specific requirement under HKFRS Accounting Standards or the MBLRs to disclose the amounts of net current assets (liabilities) and total assets less current liabilities, it is a common local practice to disclose these two subtotals.

HKAS 1.29-30A, 55, 77

[64] Entities should apply judgement in determining whether the following HKFRS 15 items should be presented separately (either in the statement of financial position or in the notes) or aggregated with another line item (and if so, then which line item):

- refund/repurchase liability;
- right to recover a returned good;
- costs to obtain/fulfil a contract (contract costs); and
- asset relating to the consideration paid to the customer.

HKFRS 15.128

As further explained in footnote 203, in this illustration, HK Listco aggregates capitalised contract costs with inventories as a single line item in the statement of financial position because of their similar nature. The closing balances of the capitalised costs are disclosed in the note under the disclosure requirements of paragraph 128 of HKFRS 15 (see note 19).

HKFRS 15.55, B21, BC367

In this illustration, HK Listco also aggregates the asset recognised for its right to recover returned goods with inventories, and refund liabilities arising from right to return and volume rebates with trade and other payables, in the statement of financial position because of their similar nature, and discloses them separately in the notes (see note 19 for the right to recover returned goods and note 24 for refund liabilities).

In this illustration, it is assumed that HK Listco does not have any liabilities arising from repurchase agreements or assets relating to consideration paid to the customers.

HKFRS 16.47

[65] For right-of-use assets and lease liabilities, an entity can as an accounting policy election either present them separately in the statement of financial position or disclose them separately in the notes. If the entity chooses not to present right-of-use assets separately in the statement of financial position, the amounts shall be presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned. In this illustration, HK Listco has chosen not to present right-of-use assets separately and therefore includes the amount of the right-of-use assets within "Property, plant and equipment", i.e. the same line item used to present the underlying assets of the same nature that it owns (see note 11).

HKFRS 16.48

However, the above accounting policy choice does not apply to right-of-use assets that meet the definition of investment property. These assets are specifically required to be presented as investment property in the statement of financial position.

HKAS 19.133 [66] HKAS 19 states that it does not specify whether assets and liabilities arising from post-employment benefits should be distinguished between current and non-current portions. We interpret this to mean that there is no need to apply the current/non-current distinction to all such assets and liabilities. However, where the distinction is clear, for example for outstanding contributions to defined contribution schemes due within 12 months, the distinction should be made. Also, a note may be necessary in accordance with paragraph 61 of HKAS 1 when these balances include amounts due within and after 12 months. See footnote 237 for further discussion about the considerations of paragraph 61 of HKAS 1 for defined benefit plan obligations.

[67] Paragraph 56 of HKAS 1 prohibits classifying deferred tax assets or liabilities as *current* assets or liabilities ("current" in terms of the expected timing of realisation of assets or due date of settlement of liabilities). However, this prohibition does not extend to *current tax* assets or liabilities ("current" in terms of an income tax for the current reporting period). Entities should therefore apply the general requirements in paragraphs 66 and 69 of HKAS 1 when classifying *current tax* balances. In our view, the classification analysis under HKAS 1 in particular for *current tax* liabilities is ultimately driven by the payment terms for the relevant tax and not simply the filing date for tax returns, because ultimately a liability is only settled when it is paid. The filing timeframes and payment terms of income taxes could differ across jurisdictions; they could also differ for different types of income taxes within the same jurisdiction, e.g. there may be separate filing timeframes and payment terms for Pillar Two income taxes and other corporate income taxes.

So far as the Hong Kong Pillar Two income tax legislation is concerned, top-up tax is due for payment one month after the expiry date of the return filing deadline (15 months after the last day of the reporting year, or 18 months for the first year that the multinational enterprise group comes within scope of the Pillar Two income tax legislation) or the date of the notice of assessment, whichever is later. As the top-up tax under the Hong Kong Pillar Two income tax legislation is due to be settled after 12 months from the reporting date, HK Listco has classified its *current tax* liabilities arising from the Hong Kong Pillar Two income tax legislation as non-current. In this illustration, it is assumed that the top-up taxes arising from tax legislations in other jurisdictions relevant to HK Listco are also settled after 12 months from the reporting date. Accordingly, HK Listco's Pillar Two income tax liability is wholly classified as non-current.

HKFRS 15.105, HKAS 1.60, 66, 69 [68] HKFRS 15 does not specify whether entities are required to present their contract assets and contract liabilities as separate line items or how to classify them as current or non-current in the statement of financial position. Entities should therefore apply the general principles in HKAS 1 for presenting and classifying contract assets and contract liabilities.

In determining whether to classify the entire item as current or non-current or split into current and non-current components, an entity should consider the nature of its contract assets and contract liabilities and apply the guidance for similar assets or liabilities. For example, if contract assets are considered similar in nature to trade receivables, then it may be appropriate to split into current and non-current components. If contract liabilities are considered similar in nature to other operating liabilities, then it may be appropriate to classify the entire balance as current; whereas if they are similar in nature to long-term borrowings, then the balance should be split into current and non-current components.

In this illustration, HK Listco determines that contract assets and contract liabilities are sufficiently material to be presented separately. In addition, as it expects these amounts to be realised or settled within its normal operating cycle, it presents them as current in the statement of financial position.

HKFRS 15.109 HK Listco uses the terms "contract assets" and "contract liabilities" as these are used in HKFRS 15. However, entities are not prohibited from using alternative terms to describe these items in their statements of financial position, provided that the entities give sufficient information to users to distinguish these amounts from receivables and payables, which are different in nature.

HKAS 1.10(a) & 51
D2(4)(2)

Consolidated statement of financial position[60, 61, 62, 63]

(Expressed in Hong Kong dollars)

HKAS 1.113

Reference		Note	31 December 2025	31 December 2024
HKAS 1.51(e)			**$'000**	$'000
HKAS 1.60 & 66	**Non-current assets**			
HKAS 1.54(a)	Property, plant and equipment [65]	11	**234,508**	201,321
HKAS 1.54(b)	Investment property[65]	11	**84,950**	66,690
			319,458	268,011
HKAS 1.54(c)	Intangible assets	12	**15,220**	14,400
HKAS 1.54(c)	Goodwill	13	**916**	1,100
HKAS 1.54(e) HKAS 28.15	Interests in associates	15	**40,308**	29,478
HKAS 1.54(e)	Interest in joint venture	16	**42,765**	32,095
HKAS 1.54(d), 55 & 59	Equity securities designated at fair value through other comprehensive income ("FVOCI")	17(a)	**5,040**	4,950
HKAS 1.54(d), 55 & 59	Financial assets measured at fair value through profit or loss ("FVPL")	17(b)	**24,289**	21,886
HKAS 1.54(d), 55 & 59, HKFRS 7.8(f)	Financial assets measured at amortised cost	17(c)	**31,601**	21,596
HKAS 1.54(d) & 55	Derivative financial instruments	18	**893**	1,214
HKAS 1.54(o) & 56	Deferred tax assets	30(b)	**2,539**	3,495
			483,029	398,225
HKAS 1.60 & 66	**Current assets**			
HKAS 1.54(d) & 55	Derivative financial instruments	18	**1,828**	2,399
HKAS 1.54(g)	Inventories and other contract costs[64]	19	**258,644**	218,073
HKAS 1.55 HKFRS 15.105	Contract assets[68]	20(a)	**10,551**	23,338
HKAS 1.54(h) HKFRS 7.8(f)	Trade and other receivables	21(a)	**76,196**	59,074
HKAS 1.55	Prepayments	21(b)	**714**	190
HKAS 1.54(d)	Trading securities	17(b)	**58,331**	58,020
HKAS 1.54(i)	Cash and cash equivalents	22	**76,580**	105,088
			482,844	466,182
HKAS 1.60 & 69	**Current liabilities**			
HKAS 1.54(k) HKFRS 7.8(g)	Trade and other payables[64]	24	**160,613**	143,207
HKAS 1.55 HKFRS 15.105	Contract liabilities[68]	20(b)	**13,227**	7,173
HKAS 1.54(m) HKFRS 7.8(g)	Interest-bearing borrowings	25	**4,728**	4,598
HKAS 1.54(m) HKFRS 7.8(g)	Bank loans and overdrafts	26	**28,490**	35,716
HKAS 1.54(m) HKFRS 16.47(b)	Lease liabilities[65]	27	**21,329**	15,271
HKAS 1.54(m) & 55	Derivative financial instruments	18	**234**	200
HKAS 1.54(m) & 55	Other current liabilities		**106**	108
HKAS 1.54(n)	Current taxation	30(a)	**6,750**	7,244
HKAS 1.54(l)	Provisions	31	**10,900**	9,410
			246,377	222,927
CP	**Net current assets**[63]		**236,467**	243,255
CP	**Total assets less current liabilities**[63]		**719,496**	641,480
HKAS 1.60 & 69	**Non-current liabilities**			
HKAS 1.54(m) HKFRS 7.8(g)	Interest-bearing borrowings	25	**74,802**	72,251
HKAS 1.54(m) HKFRS 16.47(b)	Lease liabilities[65]	27	**48,963**	53,202
HKAS 1.54(m) & 55	Derivative financial instruments	18	**106**	43
	Defined benefit plan obligations[66]	28	**3,884**	3,210
HKAS 1.54(o) & 56	Deferred tax liabilities	30(b)	**19,194**	13,850
HKAS 1.54(n)	Pillar Two tax liabilities[67]	30(a)	**2,928**	360
HKAS 1.54(l)	Provisions	31	**9,172**	10,891
			159,049	153,807
	NET ASSETS		**560,447**	487,673

		Note	31 December 2025 $'000	31 December 2024 $'000
HKAS 1.113 HKAS 1.51(e)				
HKAS 1.54(r)	**CAPITAL AND RESERVES**			
	Share capital	32(c)	**181,400**	175,000
	Reserves		**296,783**	240,678
	Total equity attributable to equity shareholders of the company		**478,183**	415,678
HKAS 1.54(q) HKFRS 10.22	**Non-controlling interests**		**82,264**	71,995
	TOTAL EQUITY		**560,447**	487,673

HKAS 10.17 Approved and authorised for issue by the board of directors on 27 March 2026.

S387 Hon WS Tan[69]) Directors

SK Ho[69])

The notes on pages 41 to 197 form part of these financial statements.

S387(2) 69 Section 387(2) of the CO requires the financial statements to state the names of the persons who signed the statement of financial position on the directors' behalf.

HKAS 1.IN13 & 106-106A 70 Under HKAS 1, the statement of changes in equity focuses on owner changes in equity. Specifically, the standard requires the following items to be included in the statement of changes in equity, analysed by each component of equity:

- total comprehensive income for the period, with profit or loss and other comprehensive income separately disclosed;
- the amounts of transactions with equity holders in their capacity as such (such as equity contributions, re-acquisitions of the entity's own equity instruments, dividends and transaction costs directly related to such transactions); and
- the effects of retrospective application of changes in policies or retrospective restatements recognised in accordance with HKAS 8.

Entities are required to present an analysis of other comprehensive income by item either in the statement of changes in equity or in the notes. HK Listco has chosen to present this analysis in the notes (note 9).

HKAS 1.113 71 Each item on the face of the statement of changes in equity shall be cross-referenced to any related information in the notes.

HKAS 1.54(q) & 106(a) 72 As non-controlling interests in the equity of a subsidiary are presented as part of equity, and not as a deduction from net assets (see policy note 1(d)), they should be included in the statement of changes in equity as one of the components of total equity.

HKAS 1.10(c) & 51

Consolidated statement of changes in equity[70, 71] for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

HKAS 1.113 HKAS 21.52(b) HKAS 1.51(e)		Note	Attributable to equity shareholders of the company Share capital $'000	Capital reserve $'000	Exchange reserve $'000	Property revaluation reserve $'000	Hedging reserve $'000	Fair value reserve (non-recycling)[59] $'000	Retained profits $'000	Total $'000	Non-controlling interests[72] $'000	Total equity $'000
	Balance at 1 January 2024		175,000	134	946	2,251	2,823	85	201,971	383,210	61,755	444,965
HKAS 1.106(d)	**Changes in equity for 2024:**											
	Profit for the year		-	-	-	-	-	-	96,181	96,181	10,167	106,348
	Other comprehensive income	9	-	-	755	6,312	(264)	50	(10)	6,843	73	6,916
HKAS 1.106(a)	Total comprehensive income		-	-	755	6,312	(264)	50	96,171	103,024	10,240	113,264
	Amounts transferred from hedging reserve[57] to initial carrying amount of hedged items	33(d)(i)	-	-	-	-	(181)	-	-	(181)	-	(181)
HKAS 1.106(d)(iii)	Dividends approved in respect of the previous year	32(b)	-	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
	Equity settled share-based transactions		-	1,625	-	-	-	-	-	1,625	-	1,625
	Dividends declared in respect of the current year	32(b)	-	-	-	-	-	-	(27,000)	(27,000)	-	(27,000)
	Balance at 31 December 2024 and 1 January 2025		175,000	1,759	1,701	8,563	2,378	135	226,142	415,678	71,995	487,673
HKAS 1.106(d)	**Changes in equity for 2025:**											
	Profit for the year		-	-	-	-	-	-	114,367	114,367	10,416	124,783
	Other comprehensive income	9	-	-	(1,532)	25,152	(286)	90	(9)	23,415	(147)	23,268
HKAS 1.106(a)	Total comprehensive income		-	-	(1,532)	25,152	(286)	90	114,358	137,782	10,269	148,051
	Amounts transferred from hedging reserve[57] to initial carrying amount of hedged items	33(d)(i)	-	-	-	-	(195)	-	-	(195)	-	(195)
HKAS 1.106(d)(iii)	Dividends approved in respect of the previous year	32(b)	-	-	-	-	-	-	(49,500)	(49,500)	-	(49,500)
	Purchase of own shares	32(c)(iii)	-	-	-	-	-	-	(3,390)	(3,390)	-	(3,390)
	Shares issued under share option scheme	32(c)(iv)	6,400	(400)	-	-	-	-	-	6,000	-	6,000
	Equity settled share-based transactions		-	1,658	-	-	-	-	-	1,658	-	1,658
	Dividends declared in respect of the current year	32(b)	-	-	-	-	-	-	(29,850)	(29,850)	-	(29,850)
	Balance at 31 December 2025		**181,400**	**3,017**	**169**	**33,715**	**1,897**	**225**	**257,760**	**478,183**	**82,264**	**560,447**

The notes on pages 41 to 197 form part of these financial statements.

HKAS 1.10(d) & 51

Consolidated cash flow statement[73] for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

		Note	2025		2024	
HKAS 1.113 HKAS 1.51(e)			**$'000**	**$'000**	$'000	$'000
	Operating activities					
	Cash generated from operations	22(b)	**145,966**		119,719	
HKAS 7.35	Tax paid:					
	- Hong Kong profits tax paid		**(13,555)**		(11,112)	
	- Overseas tax paid		**(7,150)**		(6,950)	
HKAS 7.10	**Net cash generated from operating activities**			**125,261**		101,657
HKAS 7.21	**Investing activities**					
	Payment for the purchase of property, plant and equipment[74]		**(21,822)**		(20,760)	
	Proceeds from sale of property, plant and equipment		**749**		1,008	
	Expenditure on development project[75]		**(1,500)**		(2,400)	
HKAS 7.39	Acquisition of subsidiary, net of cash acquired	22(e)	**(1,955)**		-	
HKAS 7.37	New loans to associates		**(20,707)**		(3,921)	
HKAS 7.37	Loans repaid by associates		**11,000**		-	
	Payment for purchase of:					
	- units in bond funds		**(500)**		-	
	- equity securities		**(719)**		(100)	
	Proceeds from sale of equity securities		**2,500**		-	
HKAS 7.31	Interest received[76]		**1,065**		824	
HKAS 7.31 & 37	Dividends received from associates[76]		**3,000**		-	
HKAS 7.31	Dividends received from investments in securities[76]		**610**		572	
HKAS 7.10	**Net cash used in investing activities**			**(28,279)**		(24,777)
HKAS 7.21	**Financing activities**					
HKAS 7.17(e)	Capital element of lease rentals paid[74]	22(c)	**(17,611)**		(14,525)	
	Payment for repurchase of shares		**(3,390)**		-	
	Proceeds from new bank loans	22(c)	**6,100**		6,390	
	Repayment of bank loans	22(c)	**(10,480)**		(4,919)	
HKAS 7.37	Proceeds from new loans from fellow subsidiaries	22(c)	**1,759**		906	
	Proceeds from shares issued under share option scheme	32	**6,000**		-	
	Proceeds from the issue of redeemable preference shares	22(c)	**-**		4,000	
	Proceeds from settlement of derivatives	22(c)	**98**		80	
	Payment of transaction costs on issue of redeemable preference shares	22(c)	**-**		(88)	
HKAS 7.31	Interest element of lease rentals paid[74, 76]	22(c)	**(4,587)**		(3,967)	
HKAS 7.31	Other borrowing costs paid[76]	22(c)	**(19,718)**		(15,179)	
HKAS 7.31	Dividends paid on redeemable preference shares[76]	22(c) & 32	**(200)**		(200)	
HKAS 7.31	Dividends paid to equity shareholders of the company[76]	32	**(79,350)**		(72,000)	
HKAS 7.10	**Net cash used in financing activities**			**(121,379)**		(99,502)
HKAS 7(App)	**Net decrease in cash and cash equivalents**			**(24,397)**		(22,622)
	Cash and cash equivalents at 1 January	22(a)		**102,299**		122,650
HKAS 7.28	**Effect of foreign exchange rate changes**			**(2,588)**		2,271
	Cash and cash equivalents at 31 December	22(a)		**75,314**		102,299

The notes on pages 41 to 197 form part of these financial statements.

HKAS 1.113 [73] Each item on the face of the cash flow statement shall be cross-referenced to any related information in the notes.

HKFRS 16.50, HKAS 7.16(a) [74] Most lease-related cash payments are split into (i) capital element classified within financing activities and (ii) interest element classified in accordance with the accounting policy chosen for interest paid (see footnote 76 below). Certain exceptions are as follows:

- Variable lease payments that do not depend on an index or rate (such as turnover rent), rentals under short term leases and/or for low value assets which are expensed on a systematic basis under the recognition exemptions in paragraphs 5 and 6 of HKFRS 16: these payments are classified as operating cash outflows; and
- Cash outflows to acquire right-of-use assets where the lessor is not providing any financing benefit to the lessee: HKFRS 16 and HKAS 7 are silent on how to classify such payments in the cash flow statement. However, in our experience such cash outflows are normally classified as investing activities, consistent with purchases of other items of property, plant and equipment.

A common example of "cash outflows to acquire right-of-use assets where the lessor is not providing any financing benefit to the lessee" is the purchase of leasehold property in China. Commonly, the entity would pay an upfront lump sum to become the registered owner of the property interest, including the undivided interest in the underlying land use right. During the term of the lease no other payments would be required in respect of the leasehold interest, other than variable payments based on the property's rateable value, or other property taxes, as assessed by and payable to the relevant government authorities from time to time.

In this illustration, HK Listco purchases a leasehold property during the year and hence aggregates the relevant cash flows with "Payment for the purchase of property, plant and equipment" under investing activities.

HKAS 7.16 [75] In this illustration, including this cash outflow under "investing activities" is appropriate for HK Listco as the expenditure relates to the creation of an intangible asset (see note 12). However, when the expenditure on development activities fails to meet the criteria in HKAS 38 for recognition as an asset, then the cash flows are classified as operating.

HKAS 7.33-34, HKFRS 16.50(b) [76] In accordance with paragraphs 33 and 34 of HKAS 7, interest and dividends received and paid may also be classified as operating cash flows. If these cash flows are classified as arising from operating activities, they could be presented after "Cash generated from operations" and before "Net cash flows generated from operating activities", i.e., similar to the "Tax paid" caption.

HKAS 1.10(e), 51(d), 112 & 113

Notes to the financial statements[77]

(Expressed in Hong Kong dollars unless otherwise indicated)[78, 79]

HKAS 1.117-117E

1 MATERIAL ACCOUNTING POLICIES[80]

(a) Statement of compliance

Sch 4, Part 1, Section 4(a)
HKAS 1.16
D2(5)

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 ("HKICPA") and the requirements of the Hong Kong Companies Ordinance[81]. *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.* Material accounting policies adopted by the group are disclosed below.

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 1(c) 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.

HKAS 1.113

77 HKAS 1 requires that notes shall, as far as practicable, be presented in a systematic manner. In determining a systematic manner, an entity should consider the effect on the understandability and comparability of its financial statements. HKAS 1 provides the following examples of systematic ordering or grouping of the notes:

HKAS 1.114

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
(b) grouping together information about items measured similarly such as assets measured at fair value; or
(c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.

In this illustration, HK Listco generally follows approach (c) by presenting notes following the order of the line items in the primary statements.

HKAS 21.53-57

78 If the consolidated financial statements are presented in a currency different from the parent entity's functional currency, the entity should disclose that fact, its functional currency and the reason for using a different presentation currency. In addition, if an entity includes financial information in a presentation currency other than its functional currency, without complying with the requirements of paragraph 55 of HKAS 21 (for example, where the entity translates only selected items of information, such as on the face of the primary statements, for the convenience of the users of the financial statements), then it should clearly identify the information as supplementary and should make the disclosures as required by paragraph 57 of HKAS 21 concerning this supplementary information.

HKAS 1.51(e) & 53

79 Paragraph 51(e) of HKAS 1 requires the level of rounding used in presenting amounts in the financial statements to be displayed prominently and repeated where it is necessary for a proper understanding of the information presented. Paragraph 53 of HKAS 1 also notes that often financial statements may be made more understandable by presenting information in thousands or millions of units of the presentation currency, and that this is acceptable, provided the level of rounding is disclosed and material information is not omitted.

Generally, the financial statements should be prepared using a consistent level of precision throughout. That is, if the primary statements are presented, for example, to the nearest 1,000, then any note disclosures which support the primary statements, such as further analyses of income statement or balance sheet captions, would also generally be presented in round thousand amounts, so as to exactly reconcile to the amounts disclosed in the primary statements. However, occasionally it may be appropriate to present specific items of information in the financial statements using different levels of precision from that used generally.

For example, although HK Listco generally presents its financial statements in $'000, some note disclosures are presented in a lower level of precision, due to the uncertainty surrounding the measurement of that item. For example, as illustrated in note 35(a) and (b), when HK Listco is disclosing the estimated financial effect of pending law suits which are regarded as contingent assets/liabilities, it has disclosed the estimate in $millions due to the uncertainties involved in estimating the outcome. The level of precision used in such cases should be clearly disclosed in accordance with paragraph 51(e) of HKAS 1 and care should be taken to ensure that material information is not omitted.

HKAS 1.117-117E

[80] HKAS 1, *Presentation of financial statements* requires an entity to disclose its material accounting policy and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies* provides further guidance on applying the concept of materiality to accounting policy disclosure.

Accounting policy information is material if, when considered together with other information included in the entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Paragraph 117B of HKAS 1 further explains that accounting policy information is likely to be material if that information relates to material transactions, other events or conditions *and*:

(a) the entity changed its accounting policy during the reporting period which resulted in material change to the information in the financial statements;
(b) the entity chose the accounting policy from one or more options permitted by HKFRS Accounting Standards;
(c) accounting policy was developed in accordance with HKAS 8 in the absence of a HKFRS Accounting Standard that specifically applies;
(d) the accounting policy related to an area for which the entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumption in accordance with paragraphs 122 and 125 of HKAS 1; or
(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions, for example if the entity applies more than one HKFRS Accounting Standard to a class of material transactions.

In addition, paragraph 117C of HKAS 1 states that accounting policy information that focuses on how an entity has applied the requirements of the HKFRS Accounting Standards to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of HKFRS Accounting Standards.

To assist users of this Guide, we have included accounting policy notes that cover a wide range of transactions and circumstances. Not all of these policies will be material to an individual entity's circumstances. Conversely, there may be other policies which an entity needs to disclose as a result of transactions it has entered into, or policy choices it has made, which are not illustrated here. Care should be taken to meet the requirements of HKAS 1 to disclose material accounting policy information.

In addition, when other HKFRS Accounting Standards specifically require the policy for the topic in question to be disclosed, we have given the references to the disclosure requirements in the left hand column (see, for example, policy note 1(o) which has a reference to paragraph 36(a) of HKAS 2). See Appendix A to this Guide for a full index of the accounting policies illustrated here.

[81] For listed companies that are not incorporated under the CO, the word "disclosure" is normally inserted before the words "requirements of the Hong Kong Companies Ordinance".

(b) Basis of preparation of the financial statements

HKAS 1.51(b)

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 interest 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 value as explained in the accounting policies set out below:

- investment property, including interests in leasehold land and buildings held as investment property where the group is the registered owner of the property interest (see note 1(j);
- other freehold land and buildings, including interests in leasehold land and buildings where the group is the registered owner of the property interest (see note 1(k));
- investments in debt and equity securities (see note 1(g)); and
- derivative financial instruments (see note 1(h)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(dd)).

HKAS 1.122 & 125

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 2.

[*If there are material uncertainties that cast significant doubt upon the entity's ability to continue as a going concern, then these should be disclosed in accordance with paragraphs 25 and 26 of HKAS 1. In addition, as noted in an agenda decision published by the IFRS Interpretations Committee in July 2014, it may also be necessary to apply the requirements of paragraph 122 of HKAS 1 and disclose the judgements made in concluding that there are no such material uncertainties. This may apply in so-called "close call" cases.*]

HKAS 8.28

(c) Changes in accounting policies[82, 83]

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. *[Or disclose the effect if the amendments have a material impact on the entity.]*

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

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82 Paragraph 28 of HKAS 8 requires certain disclosures to be made when the initial application of a Standard or Interpretation has an effect on the current period or any prior period (or would have such an effect except that it is impracticable to determine the amount of the adjustment), or might have an effect on future periods. The disclosures required are both qualitative and quantitative, and include, to the extent practicable, the adjustments for the current period and each prior period presented for each financial statement line item affected, including earnings per share, if disclosed. As with all HKFRS Accounting Standards, these requirements in HKAS 8 apply only to the extent that the effect would be material.

It is important that care is taken to tailor the disclosures to suit the entity's circumstances, as there may be changes in accounting policies which an entity needs to disclose but which have not been illustrated. A full list of the recent HKFRS Accounting Standard developments is included in Appendix B to this Guide and care should be taken to check whether any of these could have a material impact on the entity.

As explained in footnote 61, HKAS 1 requires an entity to present statement of financial position information as at the beginning of the preceding period (i.e. 1 January 2024 for HK Listco) whenever an accounting policy has been adopted retrospectively, an error has been corrected retrospectively or comparatives have been restated for any other reason and this retrospective application, restatement or reclassification has a material effect on the information in the opening statement of financial position for the comparative period. Care should be taken to ensure this additional statement is given whenever an accounting policy change has material effect on the opening statement of financial position for the comparative period.

83 A range of changes relevant to HK Listco has been disclosed in this illustration. The extent of impact of these changes may vary from one entity to another. In addition, there may be other changes in accounting policies which an entity needs to disclose, but have not been illustrated. Care should be taken to tailor the disclosures to suit the entity's own circumstances.

There is no requirement to disclose details of any changes in the requirements of HKFRS Accounting Standards which have no material impact on the group's accounting policies, such as changes which relate only to certain business activities in which the group is not involved. Also, even if changes in the requirements of HKFRS Accounting Standards may be broadly relevant to the group's accounting policies, the impact on the reported net assets and performance may be immaterial at the time of the change, for example, because the change relates only to certain types of transactions that the group has not entered into recently. Therefore, the extent of information that an entity may disclose in respect of recent developments in HKFRS Accounting Standards which do not result in adjustments may vary from one entity to the next.

(d) 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 interests ("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 the consolidated statement of profit or loss and other comprehensive income[84] as an allocation of the total profit or loss and total 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 1(t), (u), (v) or (w) 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.

HKAS 27.17(c)

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(n)), unless it is classified as held for sale (or included in a disposal group classified as held for sale) (see note 1(dd))[85].

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[84] As HK Listco has opted for the two-statement approach to the presentation of income and expenses (see footnote 46) and uses the titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" (see footnote 45), these terms continue to be used throughout the notes to this illustration. Where entities adopt instead the single-statement format and/or the other titles for the statements (e.g. "income statement" and "statement of comprehensive income"), the references to the relevant statements are to be tailored accordingly.

[85] As further discussed in footnote 300, under the CO the company-level statement of financial position is required to be disclosed as a note to the consolidated financial statements. Nevertheless, users may find the accounting policies in respect of investments in subsidiaries, joint ventures and associates useful information in understanding how these investments are accounted for in the company's statement of financial position. Therefore entities are recommended to disclose those accounting policies to the extent that they are relevant to the company-level statement of financial position.

(e) 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 rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale) (see note 1(dd)). 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 investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable[86] (see note 1(n)(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.

HKAS 27.17(c) 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 1(n)), unless it is classified as held for sale (or included in a disposal group classified as held for sale) (see note 1(dd)).[85]

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(n)).

(g) Other investments in securities

HKFRS 7.21 The group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

HKFRS 7.21, B5(c) Investments in 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. For an explanation of how the group determines fair value of financial instruments, see note 33(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) 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 1(aa)(ii)(c)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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86 Paragraph 14A of HKAS 28 requires an entity to apply HKFRS 9 to other financial instruments in an associate and joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Therefore, long-term interests are in the scope of both HKFRS 9 and HKAS 28 and paragraph 14A sets out the annual sequence in which both standards are to be applied.

An example of long-term interests given in paragraph 38 of HKAS 28 is an item for which settlement is neither planned nor likely to occur in the foreseeable future which is, in substance, an extension of the entity's investment in that associate or joint venture. Such items may include preference shares and long-term receivables or loans.

HKFRS 7.B5(e)

- 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 asset 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.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition 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 1(aa)(ii)(b)).

HKFRS 7.21
HKFRS 7.B5(e)

(h) Derivative financial instruments

The group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation (see note 1(i)).

HKFRS 7.21

(i) Hedging[87]

The group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings. Some borrowings are designated as hedges of the foreign exchange risk of a net investment in a foreign operation.

HKFRS 9.7.2.21, 22 & 26

[87] Until the IASB completes its project on accounting for dynamic risk management and the resulting pronouncements are adopted by the HKICPA as part of HKFRS Accounting Standards, entities have an accounting policy choice to apply the hedge accounting requirements under HKFRS 9 or to continue applying HKAS 39 hedge accounting. This policy choice should be applied to all (including both existing and new) hedging relationships. If an entity decides to apply HKFRS 9 hedge accounting requirements, it may either apply the requirements upon the initial application of HKFRS 9 or in subsequent periods as a change in accounting policy.

Regardless of whether the entity applies HKFRS 9 hedge accounting requirements upon the initial adoption of HKFRS 9 or in subsequent periods, in the first year of adoption it should follow the hedge accounting transition requirements in HKFRS 9 and provide the transitional disclosures in accordance with HKAS 8.

In this illustration, HK Listco applied HKFRS 9 hedge accounting requirements upon the initial adoption of HKFRS 9 in 2018. For an illustration of the transitional disclosures, please refer to the December 2018 edition of the illustrative financial statements.

(i) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve within equity. The effective portion that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through OCI to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through OCI to profit or loss.

(ii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gains or losses on the borrowings is recognised in OCI and presented in the exchange reserve within equity. Any ineffective portion is recognised immediately in profit or loss. The amount accumulated in the exchange reserve is fully or partially reclassified through OCI to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

(j) Investment property

HKAS 40.75(a) Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(aa)(ii)(a).

(k) Property, plant and equipment

HKAS 16.73(a) The following properties held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

- freehold land and buildings; and
- interests in leasehold land and buildings where the group is the registered owner of the property interest (see note 1(m)).

HKAS 16.73(a) The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(n)):

- right-of-use assets arising from leases over freehold or leasehold properties where the group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(m)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

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.

HKAS 16.73(b) & (c)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Freehold land is not depreciated.
- Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.
- Leasehold land is depreciated over the unexpired term of lease.
- The group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Plant and machinery 10 years
- Others 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(l) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses[88].

Other intangible assets, including patents and trademarks, that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(n)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

HKAS 38.118(a) & (b)

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Capitalised development costs 5 years
- Patents and trademarks 5 to 10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

88 Due to the restrictive conditions for the recognition of development expenditure, some entities may consider that the following wording for the accounting policy would be more appropriate to their circumstances:

"Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred."

(m) 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

HKFRS 16.12-13 & 15

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases [other than … *name any specific class of underlying asset to which this practical expedient does not apply*][89].

HKFRS 16.12-13 & 15

[89] Paragraph 12 of HKFRS 16 states that an entity shall account for each lease component within the contract as a lease separately from any non-lease components of the contract, unless it applies the practical expedient in paragraph 15 of HKFRS 16. This practical expedient is available only to lessees (not lessors). It allows a lessee to elect on a class-by-class basis not to separate the components, and instead to account for each lease component and any associated non-lease components as a single lease component. However, embedded derivatives that meet the criteria in paragraph 4.3.3 of HKFRS 9 are explicitly excluded from this practical expedient and have to be separated if required by HKFRS 9.

Examples of "non-lease components" would be if a contract included payments for regular maintenance activities carried out by the lessor for the benefit of the lessee, or for other goods or services such as consumable spare parts for an underlying asset or the provision of security and cleaning staff e.g. for a leased property. Non-lease components could also include payments relating to the lessee's right to access to certain physical assets but such rights fail the definition of a lease as set out in paragraphs B13 to B20 of HKFRS 16, which would be the case where the lessor has a substantive substitution right, or the portion of the asset made available to the lessee is not physically distinct. For example, an arrangement may cover both the rental of a specific floor in an office building, and the right for a limited number of cars to park in the basement car park in spaces to be assigned by the landlord from time to time. In this example, the rental of the specific office floor will typically be a lease component, while the car-parking rights would be a non-lease component unless the rights were sufficient for the lessee to occupy substantially all the spaces in the car park.

In some cases, taking the practical expedient will simplify the lessee's accounting. This will typically be when the lease is for a relatively short period and the difference between (i) capitalising all of the consideration and depreciating the right-of-use asset, and (ii) expensing some of the consideration as incurred and depreciating the rest, will not be worth the effort of allocating the consideration to each lease component on the basis of relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components (as required by paragraph 13 of HKFRS 16). It could also be the case when the payments for both components are fixed for the duration of the lease term, or are subject to review on the same dates as each other. This approach could also simplify the record-keeping by the entity for the terms of the lease.

In other cases, however, separating the lease component at the inception of the lease may overall be the simpler accounting, as well as giving better information to users of financial statements. This will typically be the case for longer-term leases with material non-lease components, where the amount payable for the non-lease components may be subject to change on a more frequent basis than the lease components. In such cases, if the components are not separated, then it may result in the need to apply lease modification accounting more often, which can be complex. Instead, if the components are separated, then the consideration for the non-lease components can continue to be expensed as incurred.

Additionally, separating the components will result in smaller lease liabilities and right-of-use assets than if the practical expedient is used, which may be a relevant consideration for some entities, for example, those subject to gearing ratio covenants.

Entities should therefore consider carefully the impact of taking or not taking advantage of the practical expedient on a class-by-class basis when determining their accounting policies. As this is a class-by-class election, it is best practice to explain in the policy note the situations in which the entity would or would not take advantage of the practical expedient.

As noted above, this practical expedient is not available to lessors. Instead, paragraph 17 of HKFRS 16 states that lessors should apply paragraphs 73 to 90 of HKFRS 15 to allocate the consideration under the contract to the components.

HKFRS 16.60

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 items such as laptops and office furniture[90]. 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.

HKFRS 16.5-8, 60

[90] HKFRS 16 provides recognition exemptions under which an entity can decide not to apply the on-balance sheet lessee accounting model to leases where the lease term is 12 months or less and/or the underlying asset is of low value. If these recognition exemptions have been applied, the entity is required to disclose this fact. In this illustration, HK Listco includes the disclosure in its policy note to indicate that it is its general policy not to capitalise short-term leases and leases of low-value assets.

The exemption categories relate to the length of the lease term and the nature of the underlying item.

A "short-term lease" is a lease that, at the commencement date, has a lease term of 12 months or less, and does not contain a purchase option. The election for the short-term lease exemption shall be made by class of underlying asset to which the right of use relates. Under paragraph 7 of HKFRS 16, if a lease which has been classified as a short-term lease is extended, then the remaining period of the extended lease will only qualify for the short-term exemption if the new lease term, when measured as from the effective date of the modification, does not exceed 12 months. The "effective date of the modification" is defined in Appendix A to HKFRS 16 as the date when both parties agree to the modification. For example, on 1 November 2025 an entity agrees with the lessor to extend a 12-month lease, which was due to expire on 31 December 2025, for a further 6 months to 30 June 2026. In this case, the relevant period for assessing the modified lease is 8 months (1 November 2025 to 30 June 2026), and the lease can continue to qualify for the short-term exemption. However, if this same lease was extended instead for a further 12 months such that it expires on 31 December 2026, then this extended lease would fail to qualify for the exemption as from 1 November 2025, as the relevant period of time would be 14 months, counted as from that date.

HKFRS 16.B3-B4

The term "low-value asset" is not explicitly defined in HKFRS 16. However, in the Basis for Conclusions the IASB indicated that as of the time of writing (which was in 2015) they had in mind items costing USD5,000 or less when new. This refers to the value of the item being leased when new, and not to the value of the right-of-use asset. For example, a car would not be "low-value" as it typically costs more than USD5,000 when purchased new. The assessment of whether an underlying asset is of "low value" is performed on an absolute basis. It is not affected by the size, nature or circumstances of the lessee, and an item may be assessed as "low value" regardless of whether the low-value assets in aggregate are material. Accordingly, the IASB expected different lessees to reach the same conclusions about whether a particular underlying asset is of low value. This recognition exemption can be elected on a lease-by-lease basis.

HKFRS 16.53(c)-(d)

Entities need to keep track of these leases in order to:
- determine whether the exemption still applies, e.g. when there is a lease modification or any change in lease term; and
- be able to disclose the amounts of these lease expenses recognised in profit or loss, if material.

Specifically, paragraphs 53(c) and (d) of HKFRS 16 require entities who have applied the short-term leases and/or low value assets exemption to separately disclose the following amounts:

(a) the amount of expenses relating to short-term leases that have been expensed systematically rather than capitalised, by applying paragraph 6 of HKFRS 16. In accordance with paragraph 53(d) of HKFRS 16 this amount need not include the expenses relating to leases with a lease term of one month or less; and
(b) the amount of expenses relating to leases of low-value assets that have been expensed systematically rather than capitalised, by applying paragraph 6 of HKFRS 16, unless the amount is already disclosed as part of (a) i.e. as a short-term lease.

In this illustration, HK Listco has disclosed these amounts in Note 11(c).

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 1(k) and 1(n)(iii)), except for the following types of right-of-use asset[91]:

HKFRS 16.34-35

- right-of-use assets that meet the definition of investment property are carried at fair value (see note 1(j)); and
- right-of-use assets related to leasehold land and buildings where the group is the registered owner of the leasehold interest are carried at fair value (see note 1(k)); 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 1(o)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 1(g)(i), 1(aa)(ii)(c) and 1(n)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if 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.[236]

HKFRS 16.34-35

[91] Paragraphs 34 and 35 of HKFRS 16 state that a lessee applies an alternative measurement basis in the following circumstances:

(a) when the entity has elected the fair value model for measuring investment properties under HKAS 40, then the entity must measure any right-of-use asset that meets the definition of investment property at fair value; or
(b) when the entity applies the revaluation model to a class of property, plant or equipment under HKAS 16, then the entity may elect to apply that revaluation model to all of the right-of-use assets that relate to same class of property, plant or equipment.

HKFRS 16 does not explicitly refer to the situation when the leased asset is being held as inventory, such as in the case of leasehold land held by a property developer in Hong Kong. Consistent with the approach taken to the subsequent measurement of other right-of-use assets with reference to their use in the business, when leased assets are held as part of inventory for sale in the ordinary course of business, one of the acceptable policies for subsequent measurement would be to recognise any consumption of the lease by reference to the net realisable value of the property in accordance with HKAS 2. Alternatively, the leased assets may be depreciated from the commencement date on a straight-line basis and the depreciation charge would be expensed unless construction activities are in progress (in which case the charge would be capitalised as part of the cost of the inventory). Whichever policy is adopted, it should be applied consistently to all such leased assets held as part of inventory and from one period to the next.

(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 asset 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 1(aa)(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 1(m)(i), then the group classifies the sub-lease as an operating lease.

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The group recognises a loss allowance for expected credit losses ("ECL"s) on:

HKFRS 7.21

HKFRS 7.35F

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets (see note 1(p));
- non-equity securities measured at FVOCI (recycling) (see note 1(g)(i));
- lease receivables; and
- loan commitments issued, which are not measured at FVPL[92].

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.

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

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

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows[93].

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

HKFRS 9.BCZ2.2 — 92 A loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. For example, a loan commitment arises when an entity commits itself to invest further loan capital into a capital project of another entity at a pre-determined interest rate.

HKFRS 9.B5.5.48 — 93 An entity can reflect risks specific to the cash flows in either the discount rate or the cash shortfalls being discounted.

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 instrument 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.

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs[94].

HKFRS 7.35F(a) & (b)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) 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 assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due[95].

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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); or
- the financial asset is 90 days past due[96].

HKFRS 9.5.5.15

[94] For trade receivables and contract assets under HKFRS 15 without a significant financing component and those to which the practical expedient in paragraph 63 of HKFRS 15 has been applied, an entity is required to measure the loss allowance at an amount equal to lifetime ECLs. For trade receivables and contract assets under HKFRS 15 with a significant financing component and for lease receivables, an entity can choose as an accounting policy either to always measure the loss allowance at an amount equal to lifetime ECLs (i.e. the simplified model) or to apply the "general" model. The general model in HKFRS 9 involves recognising a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case lifetime ECLs are recognised. The accounting policy chosen should be applied to all such trade receivables, contract assets and lease receivables.

HKFRS 9.5.5.11

[95] Paragraph 5.5.11 of HKFRS 9 includes a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Unless this presumption is rebutted, lifetime ECLs should be recognised whenever contractual payments are more than 30 days past due. Lifetime ECLs should also be recognised whenever significant increase in credit risk arises, even if contractual payments are less than 30 days past due.

HKFRS 7.35F(b)
HKFRS 9.B5.5.37

[96] Paragraph 35F(b) of HKFRS 7 requires an entity to disclose its definitions of default, including the reasons for selecting those definitions.

Default is not defined in HKFRS 9. An entity should apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that when a financial asset is 90 days past due it is in default unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

HKFRS 7.35F(c)

The group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The group considers this to be [●] or higher per [rating agency X] or [●] or higher per [rating agency Y].

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position (see note 1(i)).

HKFRS 7.35F(d)

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 being more than 90 days past due;
- 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.

HKFRS 7.35F(e)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes [●] days past due or when the group otherwise 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) Credit losses from financial guarantees issued

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

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss[97].

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income (see note 1(aa)(ii)(e)).

HKFRS 7.B8E

The group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(n)(i) apply.

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows[93].

97 HKFRS 9 does not contain any specific guidance as to where the debit entry arising from the initial recognition of a financial guarantee contract should be recorded. In the absence of any cash consideration or promise to pay cash or other financial assets, the debit would generally be recorded as a day-one expense unless recognition as another form of asset can be justified. For example:

(a) In the case of the guarantee issued in respect of a loan to a director, which is conditional on the director remaining with the company, the asset identified could be a prepayment of employee benefits-in-kind as illustrated in note 23. This asset is amortised over the same period as the deferred income from issuing the guarantee.
(b) In the case of the guarantee issued by the company in respect of a loan to its wholly owned subsidiary, the asset identified could be a form of capital contribution i.e. an addition to the cost of the investment in the subsidiary. This is on the basis that, all other things being equal, the subsidiary will earn enhanced profits as a result of the financial guarantee from having secured borrowings at a lower rate than it would have done without the guarantee, and these profits will eventually flow to the company by way of dividends or enhanced disposal proceeds. The increased aggregate cost of investment would then be subject to the normal rules applied to investments in subsidiaries, in particular concerning the calculation of impairment losses.

(iii) Impairment of other non-current assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets 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 ("CGU"s). 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.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(n)(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.

(o) Inventories and other contract costs

HKAS 2.36(a) (i) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

- Electronic manufacturing

  Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

- Property development

  Cost of properties comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land[91], aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(cc)) and any other costs incurred in bringing the properties to their present location and condition. In the case of properties developed by the group which comprise of multiple units to be sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(o)(i)), property, plant and equipment (see note 1(k)) or intangible assets (see note 1(l)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered[98]. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see note 1(aa)(i)).

(p) Contract assets and contract liabilities[99]

A contract asset is recognised when the group recognises revenue (see note 1(aa)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 1(n)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see note 1(aa)(i)). 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 latter cases, a corresponding receivable is also recognised (see note 1(q)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(aa)(i)).

HKFRS 15.3, 94, BC297

[98] Paragraph 94 of HKFRS 15 states that as a practical expedient, an entity may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would otherwise have recognised is one year or less. Paragraph BC297 of the Basis of Conclusions to HKFRS 15 states that the IASB allowed this practical expedient as the IASB acknowledged that in some cases the entity's efforts to recognise an asset from incremental acquisition costs might exceed the financial reporting benefits. As with other practical expedients in HKFRS 15, an entity should apply the practical expedient consistently to similar contracts in similar circumstances.

In this illustration, HK Listco applies the practical expedient to costs of obtaining contracts that would be fully amortised in the period they arise if they had been capitalised. For contract costs relating to goods or services that will be transferred to the customers in the next reporting period(s), HK Listco capitalises such costs in order to match the timing of recognising the costs in profit or loss with the timing of transfer of the related goods or services.

For example, HK Listco has capitalised sales commissions incurred when customers entered into sale & purchase agreements for properties which are expected to be still under construction at 31 December 2025. These sales commissions may have been incurred in 2025 or in previous years as pre-completion sales programmes for multi-unit property developments can begin up to 30 months before expected completion of the properties. Regardless of when the commissions were incurred, the recognition of the related revenue on such multi-unit property development projects will generally occur within a short period of time as and when the construction of the apartment block is completed and the units are legally assigned to the buyers.

In such a case, taking advantage of the practical expedient could materially distort the pattern of profit recognition and add to record-keeping complexity for the developer, as some of the earlier commissions incurred under the pre-completion sales programme would need to be capitalised, while those relating to sales contracts entered into within 12 months of the expected completion date of the property could be expensed as incurred under the practical expedient. HK Listco has therefore decided not to take advantage of the practical expedient for costs related to these types of pre-completion sales contracts, and therefore capitalises all such commissions. These capitalised selling commissions will need to be disclosed in accordance with paragraph 128 of HKFRS 15, as illustrated in note 19(c).

As HK Listco asserts that it has taken advantage of the practical expedient for other selling costs, this fact will need to be disclosed in accordance with paragraph 129 of HKFRS 15. This is also illustrated in note 19(c).

If an entity considers that it is more cost effective to apply the practical expedient to all contracts and therefore only capitalises the costs of obtaining contracts with amortisation period longer than one year, the following is an example wording for describing such policy:

"Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer……

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Capitalised contract costs are stated at……."

HKFRS 15.105-109

[99] The descriptions "contract asset", "contract liability" and "receivable" are based on the specific requirements in paragraphs 105 to 109 of HKFRS 15. According to paragraph 109 of HKFRS 15, an entity is not prohibited from using alternative descriptions for these items provided that sufficient information is given to users of financial statements to enable them to distinguish between the items. See also footnote 210 for a discussion about the differences between these items.

HKFRS 7.21

(q) 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 (see note 1(n)(i)).

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

(r) Software-as-a-service (SaaS) arrangement costs

A SaaS arrangement is a service arrangement where the group has a right to access to the supplier's application software running on the supplier's cloud infrastructure during the term of the arrangement, but not control over the underlying software asset.

Costs to implement a SaaS arrangement, including those incurred in configuring or customising the access to the supplier's application software, are evaluated to determine if they give rise to a separate asset that the group controls. Any resulting asset is recognised and accounted for in accordance with the policy for intangible assets as set out in note 1(l). Implementation costs that do not give rise to an asset are recognised in profit or loss as incurred, which may be over the period the configuration or customisation services are received to the extent that such services are distinct from the SaaS, or over the term of the SaaS arrangement to the extent the configuration or customisation services are not distinct from the SaaS.

Payment made in advance of receiving the related services is recognised as prepayment.

HKAS 7.46
HKFRS 7.21

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other 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.[100] 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 1(n)(i)).

HKFRS 7.21

(t) Trade and other payables (other than refund labilities)

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

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100 In order for instruments, such as wealth management products, to be included as "cash equivalents" for the purposes of the cash flow statement, it is necessary for the instruments to satisfy both of the following criteria:

i. The instrument needs to be a "short-term, highly liquid investment that is readily convertible into known amounts of cash and which is subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition"; and
ii. The instrument needs to be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

This cash flow statement classification is not dependent on whether the instruments pass or fail the "solely payments of principal and interest" test. Therefore, instruments included in "cash and cash equivalents" could be measured at either amortised cost or FVPL and similarly, instruments excluded from "cash and cash equivalents" could also be measured at either amortised cost or FVPL, depending on the characteristics of the instrument and the reason for holding it.

HKFRS 7.21

(u) 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.

HKFRS 7.21

(v) 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 1(cc).

HKFRS 7.21

(w) Convertible notes

(i) Convertible notes that contain an equity component

Compound financial instruments issued by the group comprise convertible notes denominated in HKD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is not remeasured and is recognised in the capital reserve until the notes are converted.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

(ii) Other convertible notes

For convertible notes which do not contain an equity component, at initial recognition the derivative component is measured at fair value and presented as part of derivative financial instruments (see note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Any directly attributable transaction costs are allocated to the host liability and derivative components in proportion to their initial carrying amounts. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(h). The host liability component is subsequently carried at amortised cost using effective interest method. Interest related to the host liability component is recognised in profit or loss.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(x) 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.

(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 Schemes Ordinance (the "ORSO plans")
- 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 MPF 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 by a qualified actuary 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.

R17.07(1)(c)

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the group can no longer withdraw the offer of those benefits and when the group recognises costs for a restructuring.

(y) 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 items 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;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.[101]

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(j), 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 liabilities are offset only if certain criteria are met.

(z) 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.

HKAS 12.88A-88D 101 Paragraph 4A of HKAS 12 requires a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax laws that implement qualified domestic minimum top-up taxes described in those rules. If an entity expects to be impacted by these new tax laws, paragraphs 88A to 88D of HKAS 12 contain specific disclosure requirements. See note 6(c) and footnote 147 for further details of the disclosure requirements.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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 1(n)(iii)).

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

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

(aa) Revenue and other income

Income is classified by the group as revenue when it arises from the sale 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

HKFRS 15.119(c)

The group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the group's ability to direct the use of and obtain substantially all of the remaining benefits from the products[102].

HKFRS 15.126(a)

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) Sale of electronic products

Sales of the group's electronic products are recognised as follows:

- Made-to-order manufacturing arrangements

  HKFRS 15.119(c)

  The group classifies contracts as made-to-order manufacturing arrangements when the group manufactures the products in accordance with the customer's specification and under the contract the group has the right to be paid for work done to date if the customer was to cancel the contract before the order was fully completed.

HKFRS 15.119(c) [102] In disclosing the nature of goods or services that an entity has promised to transfer, where relevant paragraph 119(c) of HKFRS 15 also require the entity to highlight any performance obligations to arrange for another party to transfer goods or services (i.e. where the entity is acting as an agent).

HKFRS 15.126(a)
HKFRS 15.119(b)
HKFRS 15.129

Made-to-order manufacturing arrangements generally involve fixed price contracts. Customers are required to provide upfront deposits to the group to secure an order, based on 10% of the agreed consideration, and the amounts are included in contract liabilities. The remainder of the consideration is payable rateably as and when the products are delivered, or in full if the customer cancels the contract. The group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less[103].

HKFRS 15.119(a)
HKFRS 15.124
HKFRS 15.119(e)

Revenue arising from made-to-order manufacturing arrangements, and a corresponding contract asset (see note 1(p)), are recognised progressively over time during the manufacturing process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 1(q)).

The group offers warranties for its made-to-order products for up to two years from the date of sale. A related provision is recognised in accordance with note 1(z).

- Sales of other electronic products

HKFRS 15.119(a)
HKFRS 15.119(b)
HKFRS 15.129

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the group generally provides credit terms to customers within six months upon customer acceptance. The group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less[103].

HKFRS 15.119(e)

The group offers warranties for its products for up to six months from the date of sale. A related provision is recognised in accordance with note 1(z).

HKFRS 15.119(d)
HKFRS 15.126(a) & (b)
HKFRS 15.126(d)

The group typically offers customers of electronic products that are not made-to-order rights of return for a period of 14 days upon customer acceptance. It also offers retrospective volume rebates to certain major customers of electronic products when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration. The group uses an expected value approach to estimate variable consideration based on the group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of electronic products, the group recognises revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A refund liability is recognised for the expected returns and rebates, and is included in other payables (see note 24). A right to recover returned goods (included in inventories, see note 19) and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

HKFRS 15.63 &129

103 Paragraph 63 of HKFRS 15 gives a practical expedient such that an entity need not adjust the amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between the transfer of goods or services and customer payment will be one year or less. If this practical expedient has been applied, the entity is required to disclose this fact. In this illustration HK Listco includes the disclosure in its policy note to indicate the practical expedient is applied in which products or service lines.

HKFRS 15.126(c)

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 except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

(b) Sale of properties[104]

HKFRS 15.119(a) & (c)

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, 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.

HKFRS 15.119(b)

When residential properties are marketed by the group while the property is still under construction, the group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. Otherwise, the customer is required to pay 10% of the contract value as a deposit upon signing the sale and purchase agreement ("SPA") with the rest of the consideration being paid no later than on completion of the SPA. 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 1(p)).

HKFRS 15.119(b), 126(a)

To the extent that the advance payments from customers are regarded as providing a significant financing benefit to the group, revenue recognised under that contract includes the interest accreted on the contract liability under the effective interest method during the period between the payment date and the completion date of legal assignment. The discount rate applied is reflective of the rate in a separate financing transaction between the group and the customer at contract inception. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with note 1(cc).

(c) Construction contracts

HKFRS 15.119(c)

The group's construction activities under construction contracts with customers for office premises and residential buildings create or enhance real estate assets controlled by the customers.

HKFRS 15.119(a), 124

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

HKFRS 15.126(a) & (b)

The likelihood of the group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the group's current progress and future performance expectations compared to the agreed completion timeline.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

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[104] The wording of this accounting policy is only relevant where the nature of the entity's property development activities is such that revenue is only recognised on the activity at a single point in time, rather than continuously as construction progresses, even when the entity has entered into a pre-completion sales agreement. The wording should be tailored when the nature of an entity's property development activities and contracts with customers indicate that a different recognition policy would be appropriate for some or all of the property development activities. In addition, disclosure of the judgements made by the entity in applying such different policies may be appropriate under paragraph 122 of HKAS 1 (for example, in the entity's equivalent of note 2(a)).

HKFRS 15.119(b)

HKFRS 15.129

The group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. Starting from 2025, the group has introduced new contract terms whereby a 20% deposit is payable upfront. The group also typically agrees to a one year retention period for 5% of the contract value which the group's entitlement to this final payment is conditional on the group's work satisfactorily passing inspection. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist. Otherwise, the group has taken advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less[103].

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with note 1(z).

(d) Other practical expedients applied

In addition, the group has applied the following practical expedients:

HKFRS 15.121-122

- For sales contracts for electronic products that had an original expected duration of one year or less, the group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of HKFRS 15.

HKFRS 15.129

- The group has recognised the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred in accordance with paragraph 94 of HKFRS 15, as the amortisation period of the assets that the group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

HKFRS 16.81

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) Dividends

Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

(c) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts 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.

HKAS 20.39(a)

(d) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(e) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see note 1(n)(ii)).

(bb) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see note 1(i)(ii)); and
- qualifying cash flow hedges to the extent that the hedges are effective (see note 1(i)).

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(cc) 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.

(dd) Non-current assets held for sale and discontinued operations

(i) 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[105]. 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, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(ii) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Where an operation is classified as discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

[105] Paragraph 5 of HKFRS 5 contains the full list of the assets which are not subject to the measurement requirements of HKFRS 5, even though they are subject to the disclosure requirements if they meet the held for sale criteria either individually or as part of a disposal group. For the purposes of describing the significant aspects of this accounting policy, the wording here takes an approach of listing only those assets in the paragraph 5 of HKFRS 5 which the group currently has on its statement of financial position. This wording is illustrative only and other approaches may also be acceptable, provided the disclosure is factually accurate to the entity's circumstances.

(ee) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition[106].

(ff) Related parties[107]

(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) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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106 Paragraph 2(b) of HKFRS 3 requires an entity to allocate the cost of the acquisition to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. However, it does not give specific guidance on how to account for asset acquisition when the sum of the individual fair values of the identifiable assets and liabilities differs from the transaction price and the group includes identifiable assets and liabilities initially measured both at cost and at an amount other than cost (e.g. at fair value).

In this illustration, HK Listco measures any identifiable assets and liabilities initially measured at an amount other than cost in accordance with the appliable standards. HK Listco then allocates the residual cost of acquisition to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

Alternatively, the cost of the acquisition is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition, and the initial measurement requirements in the applicable standards are then applied to each identifiable asset acquired and liability assumed. Any difference between the amount at which the asset and liability is initially measured and its individual transaction price is accounted for applying the relevant requirements.

HKAS 24.9, BC 51

107 The principles for identifying related party relationships under HKAS 24 can be summarised as follows:

- The definitions are symmetrical, i.e. if A is related to B for the purpose of B's financial statements, then B is related to A in A's financial statements. One exception to this principle is the relationship between an entity and a management entity. A management entity that provides key management personnel (KMP) services to the reporting entity (or parent of the reporting entity) is a related party of the reporting entity. However, the reporting entity is not a related party of the management entity solely as a consequence of being a customer of the management entity.
- In respect of indirect relationships involving at least significant influence, presence of control or joint control in at least one leg of an indirect relationship leads to a related party relationship (for example, a subsidiary is related to a fellow subsidiary as both entities are under common control, but an associate is not related to a fellow associate, as the common linkage is only via significant influence on both legs).
- KMP relationships are treated as being equivalent in strength to significant influence.
- There is no distinction between an individual and his/her close family members i.e. if the individual is a related party, then so are his/her close family members.

(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.

(gg) Segment reporting

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

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

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

HKAS 1.122

(a) Critical accounting judgements in applying the group's accounting policies[108]

In the process of applying the group's accounting policies, management has made the following accounting judgements:

(i) Determining the lease term

As explained in policy note 1(m), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

HKAS 1.122-124

[108] HKAS 1 requires an entity to disclose, in the material accounting policy information or other notes, the judgements, apart from those involving estimations (see footnote 109), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. As illustrated here, this disclosure extends the more generic policy descriptions that are found in note 1 to explain, how, in particular circumstances, those policies were applied during the period. Management will need to exercise judgement in determining which such circumstances warrant additional disclosure as being those "that have the most significant effect on the amounts recognised in the financial statements" and may need to update the disclosure from one year to the next. Further examples, depending on the significance to the entity, might include decisions made during the period as to whether or not certain circumstances during the period indicated that it was appropriate to suspend interest capitalisation on a development project that had been delayed, whether the entity was acting as an agent or a principal in an arrangement, or whether a transaction is a business combination or an asset acquisition.

HKFRS 12.7-9

In addition to the above general disclosure requirement about significant judgements in HKAS 1, HKFRS 12 requires an entity to disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has control of another entity;
- that it has joint control of an arrangement or significant influence over another entity; and
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

To comply with the above, an entity should disclose, for example, significant judgements and assumptions made in determining that:

- it does not control another entity even though it holds more than half of the voting rights of the other entity;
- it controls another entity even though it holds less than half of the voting rights of the other entity;
- it is an agent or a principal;
- it does not have significant influence even though it holds 20% or more of the voting rights of another entity; and
- it has significant influence even though it holds less than 20% of the voting rights of another entity.

HKFRS 15.123-126

HKFRS 15 also contains extensive disclosure requirements about significant judgements and assumptions an entity has made (and changes to those judgements and assumptions) in determining:

- the timing of satisfaction of performance obligations; and
- the transaction price and the amounts allocated to performance obligations.

Where a particular matter has involved both accounting estimates and other judgements in the application of policies, the reader may find it easier to understand the information being presented if the disclosures to be made under paragraph 122 of HKAS 1 (concerning other judgements made in the application of policies) and paragraph 125 of HKAS 1 (concerning accounting estimates) were combined in one note or cross-referenced to each other.

HKFRS 16.35

The accounting judgement illustrated here arises from the requirement in paragraph 35 of HKFRS 16 which states that if right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in HKAS 16, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment. A "class of asset" is defined in paragraph 37 of HKAS 16 as a grouping of assets of a similar nature and use in an entity's operations.

(ii) Classification of interests in leasehold land and buildings held for own use

In accordance with HKAS 16, *Property, plant and equipment*, the group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the group as separate classes of asset for subsequent measurement policies in accordance with notes 1(k) and (m). Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the group has taken into account that, as the registered owner of a leasehold property, the group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the group's use of the premises, and are typically subject to market rent reviews every [●] to [●] years.

HKAS 1.125

(b) Sources of estimation uncertainty[109]

Notes 11(b), 13, 28(b), 28(c), 29 and 33 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, ORSO plan liabilities, long service payment liabilities, fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy note 1(aa)(i), revenue from sales of electronic products manufactured under made-to-order arrangements and from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the group's recent experience and the nature of the manufacturing and construction activities undertaken by the group, the group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 20 do not include profit which the group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

HKAS 1.125-133

[109] HKAS 1 requires an entity to disclose in the notes information about the assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and
(b) their carrying amount as at the end of the reporting period.

This disclosure can, and often will, be made in amongst other information disclosed relating to those assets and liabilities. For example, disclosures in respect of contingent liabilities relate to possible losses that may occur in the future. Where such disclosure has not been made elsewhere, a separate note on sources of estimation uncertainty would be presented. Further guidance can be found in paragraphs 126 to 133 of HKAS 1.

(ii) Warranty provisions

As explained in note 31, the group makes provisions under the warranties it gives on sale of its electronic products taking into account the group's recent claim experience. As the group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

3 REVENUE *AND SEGMENT REPORTING*[110]

(a) Revenue[111]

HKAS 1.138(b) The principal activities of the group are the manufacturing and sale of electronic products, property development, property investment and carrying out construction activities for others. *Further details regarding the group's principal activities are disclosed in note 3(b).*

(i) Disaggregation of revenue[111, 112]

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

		2025	2024
HKFRS 15.114		$'000	$'000
HKFRS 15.113(a)	**Revenue from contracts with customers within the scope of HKFRS 15**[113]		
HKFRS 8.32	Disaggregated by major products or service lines		
	- Sales of electronic products	**945,776**	840,437
	- Sales of completed properties	**105,192**	120,766
	- Revenue from construction contracts	**25,392**	17,826
		1,076,360	979,029
HKFRS 15.113(a)	**Revenue from other sources**[113]		
HKAS 40.75(f)(i)	Gross rentals from investment properties		
	- Lease payments that are fixed or depend on an index or a rate	**6,200**	4,400
HKFRS 16.90(b)	- Variable lease payments that do not depend on an index or a rate	**2,335**	1,811
		8,535	6,211
		1,084,895	985,240

HKFRS 8.3 110 HKFRS 8 applies primarily to entities whose debt or equity securities are listed or quoted in a public market. Entities that fall outside the scope of HKFRS 8 may provide information about segments on a voluntary basis. However, if this information does not comply fully with HKFRS 8, then, as per paragraph 3 of HKFRS 8, this information should not be described as "segment information". In this illustration, HK Listco has included the information on its products and services and major customers in note 3(a) "Revenue" (see footnote 111) and the other segmental disclosures in note 3(b) "Segment reporting". Other approaches to disclosing this information are acceptable provided they meet the basic disclosure requirement of paragraph 113 of HKAS 1, to present notes in a systematic manner.

[111] Revenue, as defined in Appendix A of HKFRS 15, is income that arises in the course of the ordinary activities of an entity. Other income, i.e. income that does not arise in the course of the ordinary activities of the entity, is reported separately from revenue. For this reason, HK Listco has in this illustration included rental income from investment properties within its measure of revenue, as holding properties for rental to others is regarded as one of the group's ordinary activities, while income from other investments is disclosed in note 4 as "Other income".

HKFRS 15.114, B89

[112] Paragraph 114 of HKFRS 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers. Some entities may need to use more than one type of category to meet the disaggregation objective in paragraph 114 of HKFRS 15.

Examples of categories that might be appropriate include, but are not limited to, the following:

- type of good or service, i.e. major products or service lines;
- geographic region, i.e. countries or regions;
- market or types of customer, i.e. wholesale or retails, government or non-government;
- type of contract, i.e. fixed-price or cost-plus;
- contract duration, i.e. short-term or long-term;
- timing of revenue recognition, i.e. at a point in time or over time;
- sales channel, i.e. directly to consumers or through intermediaries.

HKFRS 8.31-34

Entities who are listed are required to provide certain disaggregated revenue information as HKFRS 8 requires disclosure of certain information about an entity's products and services, geographical areas and major customers, even if the entity has only one reportable segment. These minimum disclosures, referred to as "entity-wide disclosures" in HKFRS 8, should be based on the financial information that is used to produce the entity's financial statements (i.e. the disclosure is not based on the management approach, which is otherwise used in disclosing segment information). The disclosures are required only if they are not provided as part of the reportable segment information required by HKFRS 8.

Paragraph 112 of HKFRS 15 states that an entity need not disclose information in accordance with HKFRS 15 if it has provided the information in accordance with another standard. Therefore, it is a question of judgement as to what extent the HKFRS 8 and HKFRS 15 disclosures should be presented together.

In this illustration, HK Listco has included information on its products and services and major customers in note 3(a) "Revenue", while additional geographic information has been provided in the segment analysis and additional entity-wide disclosures in note 3(b) "Segment reporting" in order to satisfy HKFRS 8. For the purposes of satisfying HKFRS 15, in the segment disclosure table in note 3(b), HK Listco has provided the analysis of revenue in each segment between those contracts where revenue is recognised at a point in time and those where revenue is recognised over time.

Other approaches to disclosing this information are acceptable provided they meet the basic disclosure requirement of paragraph 113 of HKAS 1, to present notes in a systematic manner.

HKFRS 15.115

In addition, if an entity applies HKFRS 8, paragraph 115 of HKFRS 15 requires sufficient information to be disclosed to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment. In HK Listco's financial statements:

- the narrative descriptions of the various segments in note 3(b) help the reader to reconcile the entity-wide disclosures given by product and service in note 3(a) with the segment information in the segment disclosure table in note 3(b); and
- both the separate line items and totals in the segment disclosure table and the reconciliation in note 3(b)(ii) show the reader that the only differences between segment revenue and reported revenue arise due to the inclusion of intersegment sales in the segment analysis.

As this information is considered sufficient to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, no additional information has been illustrated to specifically satisfy paragraph 115 of HKFRS 15.

When selecting the categories to use to disaggregate revenue, an entity should also consider how information about the entity's revenue is presented for other purposes, such as disclosures presented outside the financial statements (e.g. MD&A).

HKFRS 15.113(a), HKFRS 16.90(b)

[113] Paragraph 113(a) of HKFRS 15 requires revenue recognised from contracts with customers and from other sources to be disclosed separately, either in the statement of comprehensive income or in the notes. In effect, this means that for the purposes of satisfying this disclosure requirement, an entity's revenue should be split between that which falls within the scope of HKFRS 15 and that which falls under other standards. This is illustrated here by disclosing rental income from investment property separately from the group's other revenue, as rental income arising under leases falls within the scope of HKFRS 16 rather than HKFRS 15. The income has been further analysed between variable lease payments that do not depend on an index or a rate and other lease income as required by paragraph 90(b) of HKFRS 16.

HKFRS 15.112

[114] As allowed by HKFRS 15, an entity need not disclose information in accordance with HKFRS 15 if it has provided the information in accordance with other standards.

In this illustration, the information about geographical location of revenue from external customers provided under HKFRS 8 (see note 3(b)(iii)) also satisfies the disclosure requirement in paragraph 114 of HKFRS 15 for disaggregation of revenue. Hence, HK Listco has made cross reference to the corresponding note.

HKFRS 15.114

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii)[114] respectively.

HKFRS 8.34

The group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the group's revenues. In 2025 revenues from sales of electronic products to each of these two customers, including sales to entities which are known to the group to be under common control with these customers, amounted to approximately $126 million (2024: $108 million) and $110 million (2024: $100 million), respectively, and arose in all three geographical regions in which the electronics division is active[115]*. Details of concentrations of credit risk arising from these two customers are set out in note 33(a)*[116]*.*

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

HKFRS 15.120

As at 31 December 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the group's existing contracts is $180,556,000 (2024: $113,333,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development, made-to-order manufacturing contracts and construction contracts entered into by the customers with the group. This amount includes the interest component of pre-completion properties sales contracts under which the group obtains significant financing benefits from the customers (see note 1(aa)(i)(b)). The group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 to 36 months (2024: next 12 to 36 months).[117]

HKFRS 8.34 & BC58

[115] HKFRS 8 requires the disclosure of information about revenues from major customers if revenues from transactions with a single external customer amount to 10% or more of an entity's revenues. For the purpose of this requirement, a group of entities known to be under common control should be considered as a single customer. However, entities should apply judgement to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity should consider the extent of economic integration between those entities.

HKFRS 7.34(c) & B8

[116] In addition to the disclosure of major customers required by HKFRS 8, paragraph 34(c) of HKFRS 7 requires disclosures about concentration of credit risk arising from financial instruments, which include a description of how management determines concentration, a description of the shared characteristic that identifies each concentration (e.g. counterparty, geographical area, currency or market) and the amount of the risk exposure associated with all financial instruments sharing that characteristic (see note 33(a)). Where information disclosed in other notes is referring to the same major customer or customers as are disclosed in the segment information disclosures, it would be useful to the users to provide cross references.

HKFRS 15.120

[117] Paragraph 120 of HKFRS 15 requires the amount of the transaction price allocated to the remaining performance obligations to be disclosed. It also requires an explanation to be disclosed of when the entity expects to recognise this revenue. This explanation can be either disclosed quantitatively, using time bands that would be most appropriate for the duration of the remaining performance obligations, or disclosed using qualitative information.

In this illustration, HK Listco has provided such explanation by providing a qualitative explanation. An alternative approach would have been to provide a numerical analysis, for example by annual time bands. The information could also be further disaggregated between different categories of revenue to enable users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows.

HKFRS 15.122

The above amount does not include any amounts of completion bonuses that the group may earn in the future by meeting the conditions set out in the group's construction contracts with customers, unless at the reporting date it is highly probable that the group will satisfy the conditions for earning those bonuses.

HKFRS 15.121-122

The group has also applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for electronic products such that the above information does not include information about revenue that the group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of electronic products that had an original expected duration of one year or less.[118]

(b) Segment reporting[119]

HKFRS 8.20 & 22, HKFRS 15.115

The group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment[119]*, the group has presented the following six reportable segments*[120]*. No operating segments have been aggregated to form the following reportable segments*[121]*.*

- *Electronics (Hong Kong/South East Asia/Rest of the world): given the importance of the electronics division to the group, the group's electronics business is segregated further into three reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All three segments primarily derive their revenue from the sale of household electronic products. These products are either sourced externally or are manufactured in the group's manufacturing facilities located primarily in Hong Kong, with the remainder of the manufacturing facilities being in South East Asia, (specifically Malaysia and Singapore). The "rest of the world" segment covers sales of electronic products to customers in the United States, Germany, France and other European countries, some of which are sourced from within the group.*
- *Property leasing: this segment leases office premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the group's investment property portfolio is located in Hong Kong and Chinese Mainland.*
- *Property development: this segment develops and sells office premises and residential properties. Currently the group's activities in this regard are carried out in Hong Kong.*
- *Construction contracts: this segment constructs office premises and residential buildings for external customers and for group companies. Currently the group's activities in this regard are carried out in Singapore, Malaysia and Chinese Mainland. The activities carried out in Chinese Mainland are through a joint venture.*

HKFRS 15.121-122

[118] Paragraph 121 of HKFRS 15 states that, as a practical expedient an entity need not disclose the information required by paragraph 120 of HKFRS 15 for a performance obligation if either of the following conditions is met:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
(b) the entity applies the practical expedient in paragraph B16 of HKFRS 15 such that it recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date (e.g. a service contract in which the entity bills a fixed amount for each hour of service provided).

An entity should explain qualitatively whether it has applied the practical expedient in paragraph 121 of HKFRS 15 in providing the information required by paragraph 120 of HKFRS 15.

HKFRS 15.3

As with the other practical expedients in HKFRS 15, this practical expedient should be applied consistently to similar contracts in similar circumstances. In this illustration, HK Listco applies this practical expedient only to its sales contracts for electronic products.

HKFRS 8.IN11 [119] HKFRS 8 requires a "management approach" to reporting the financial performance of operating segments, i.e. the financial statements should report segment information which is consistent with the segment information as is reviewed by an entity's "chief operating decision maker" (CODM).

HKFRS 8.7 Identifying an entity's CODM is therefore key to the identification of operating segments under HKFRS 8. Paragraph 7 of HKFRS 8 defines the CODM as a function rather than an individual with a specific title. That function is to allocate resources to and assess the performance of operating segments of an entity. The CODM usually is the highest level of management responsible for the entity's overall resource allocation and performance assessment. In this regard, the standard states that often the CODM of an entity is its chief executive officer or the chief operating officer, but it may be a group consisting of, for example, the entity's executive directors or others. In any event, a key point to note is that each reporting entity can only have one "CODM". For example, when the reporting entity is a group (as is almost always the case for entities within the scope of HKFRS 8), the CODM is the highest level of executive management within the group.

HKFRS 8.1 [120] Operating segments are identified on the basis of internal reports that an entity's CODM reviews regularly in allocating resources to segments and in assessing their performance, and may include start-up operations, vertically integrated operations and joint ventures and associates. In HK Listco's case, the main division of the group, electronics, is split further into 3 geographical segments, as in HK Listco's assumed circumstances, this is consistent with the way that information is provided internally to the most senior executive management of the group.

HKFRS 15.115 If an entity discloses information under HKFRS 8, HKFRS 15 requires the entity to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue disclosed in accordance with HKFRS 15 (i.e. as illustrated in note 3(a)) and the revenue information disclosed for each reportable segment. HK Listco does this by identifying which products and services are included in which segment in this narrative description and by giving numerical break-down of segment revenue from external customers into point in time and over time in the segment analysis table (i.e. as illustrated in note 3(b)(i)). Other approaches may also be sufficient to satisfy this disclosure requirement.

HKFRS 8.12 [121] Material operating segments that are identified in the internal reports that an entity's CODM reviews may only be aggregated for the purposes of reporting segment information in the financial statements if aggregation is consistent with the core principle in HKFRS 8 (as set out in paragraph 1 of HKFRS 8), the segments have similar economic characteristics and those segments are similar in each of the characteristics set out in paragraph 12 of HKFRS 8. If these criteria are met, then aggregation is allowed but not required i.e. management may choose not to aggregate and could therefore instead present information to users as it is presented internally to the CODM. As also mentioned in footnote 122 below, "whether segments have been aggregated" is identified as one of the items of "general information" about factors used to identify reportable segments that should be disclosed in accordance with paragraph 22 of HKFRS 8. When segments have been aggregated, judgement made by management in applying the aggregation criteria is also required to be disclosed.

HKFRS 8.25 & 26 [122] Consistent with the management approach, HKFRS 8 requires the amounts of each segment item reported to be the measure reported internally to the CODM. This means that segment information disclosed in the financial statements should be prepared using policies not in accordance with HKFRS Accounting Standards if this is how the information reported to the CODM is prepared. However, where the CODM internally uses more than one segment measure, HKFRS 8 requires the entity to report those measures determined in accordance with measurement principles which management believes are most consistent with those used in measuring the corresponding amount in the entity's financial statements.

To help users understand the segment information presented and its limitations in the context of an entity's financial statements, HKFRS 8 requires entities to disclose the following:

HKFRS 8.22(a)
- general information about the factors used to identify the entity's reportable segments and the extent to which operating segments have been aggregated for disclosure purposes;

HKFRS 8.22(aa)
- judgements made by management in applying the aggregation criteria in paragraph 12 of HKFRS 8;

HKFRS 8.27
- information about the measurement basis adopted, such as the nature of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature of any changes from prior periods in the measurement methods used, and the nature and effect of any asymmetrical allocations to reportable segments (for example, an entity might allocate depreciation expense to a segment without allocating the related depreciable assets to that segment); and

HKFRS 8.28
- reconciliations of total reportable segment revenue, total profit or loss and other material amounts disclosed for reportable segments to corresponding consolidated totals in the entity's financial statements with all material reconciling items separately identified and described. Reconciliations of total reportable segment assets to consolidated assets and segment liabilities to consolidated liabilities are also required if segment assets and segment liabilities have been reported under paragraph 23 of HKFRS 8.

(i) Segment results, assets and liabilities[122]

HKFRS 8.27(c) & (d)

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include provision for electronic product warranties, trade creditors, accruals, bills payable and lease liabilities attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

HKFRS 8.27(b) & (f)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the group's share of profit arising from the activities of the group's joint venture. However, other than reporting intersegment sales of electronic products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured. In particular, all patents and trademarks relating to the electronics division are allocated to the Hong Kong segment.

HKFRS 8.27(b)

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

HKFRS 8.27(a)

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter segment sales, the group's share of the joint venture's profit, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Intersegment sales are priced with reference to prices charged to external parties for similar orders.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below[123].

		Electronics – Hong Kong		Electronics – South East Asia		Electronics – Rest of the world		Property development		Construction contracts[124]		Property leasing		Total	
		2025 $'000	2024 $'000	**2025 $'000**	2024 $'000	**2025 $'000**	2024 $'000	**2025 $'000**	2024 $'000	**2025 $'000**	2024 $'000	**2025 $'000**	2024 $'000	**2025 $'000**	2024 $'000
HKFRS 15.114, 115	**Disaggregated by timing of revenue recognition[111, 112, 120]**														
	Point in time	**531,079**	449,424	**119,097**	95,388	**200,002**	201,610	**105,192**	120,766	**-**	-	**-**	-	**955,370**	867,188
	Over time	**79,357**	78,953	**16,241**	15,062	**-**	-	**-**	-	**25,392**	17,826	**8,535**	6,211	**129,525**	118,052
HKFRS 8.23(a)	**Revenue from external customers**	**610,436**	528,377	**135,338**	110,450	**200,002**	201,610	**105,192**	120,766	**25,392**	17,826	**8,535**	6,211	**1,084,895**	985,240
HKFRS 8.23(b)	Intersegment revenue	**104,109**	103,907	**1,251**	928	**-**	-	**-**	-	**-**	-	**-**	-	**105,360**	104,835
	Reportable segment revenue	**714,545**	632,284	**136,589**	111,378	**200,002**	201,610	**105,192**	120,766	**25,392**	17,826	**8,535**	6,211	**1,190,255**	1,090,075
HKFRS 8.23	**Reportable segment profit (adjusted EBITDA)**	**109,975**	97,624	**20,897**	18,847	**19,255**	16,385	**29,924**	28,230	**14,982**	13,162	**25,420**	11,694	**220,453**	185,942
HKFRS 8.23(c)	Interest income from bank deposits[125]	**301**	592	**61**	73	**189**	264	**-**	-	**-**	-	**-**	-	**551**	929
HKFRS 8.23(d)	Interest expense	**(13,155)**	(10,540)	**(2,850)**	(1,750)	**-**	-	**(1,076)**	(1,002)	**-**	-	**(1,250)**	(1,400)	**(18,331)**	(14,692)
HKFRS 8.23(e)	Depreciation and amortisation for the year	**(24,409)**	(19,328)	**(2,735)**	(2,148)	**-**	-	**(5,765)**	(5,071)	**(553)**	(480)	**(560)**	(490)	**(34,022)**	(27,517)
HKAS 36.129 & HKFRS 8.23(i)	Impairment of non-current assets														
	- plant and machinery	**-**	-	**-**	-	**-**	-	**(1,200)**	-	**-**	-	**-**	-	**(1,200)**	-
	- goodwill	**(184)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(184)**	-
HKFRS 8.23(i)	Impairment losses on trade receivables and contract assets	**(1,520)**	(1,030)	**(255)**	(180)	**(510)**	(430)	**-**	-	**(15)**	(80)	**-**	-	**(2,300)**	(1,720)
HKFRS 8.23	**Reportable segment assets**	**386,865**	354,245	**35,344**	26,900	**44,074**	41,050	**148,674**	140,527	**94,288**	88,540	**88,091**	69,036	**797,336**	720,298
HKFRS 8.24(a)	(including interest in joint venture)[126]	**-**	-	**-**	-	**-**	-	**-**	-	**42,765**	32,095	**-**	-	**42,765**	32,095
HKFRS 8.24(b)	Additions to non-current segment assets during the year[126]	**35,035**	33,695	**1,700**	-	**-**	-	**6,621**	6,679	**1,371**	988	**-**	-	**44,727**	41,362
HKFRS 8.23	**Reportable segment liabilities**	**200,154**	187,276	**48,982**	44,617	**33,470**	29,490	**62,854**	65,652	**594**	1,067	**10,154**	10,164	**356,208**	338,266

HKFRS 8.23

[123] HKFRS 8 requires an entity to report a measure of profit or loss for each reportable segment. It also includes the following disclosure requirements:

- A measure of assets and/or liabilities for each reportable segment should be disclosed if such amounts are provided regularly to the CODM.
- The following should be disclosed about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the CODM or are otherwise provided regularly to the CODM even if not included in that measure of segment profit or loss:
  - revenues from external customers;
  - revenues from transactions with other operating segments of the same entity;
  - interest revenue;
  - interest expense;
  - depreciation and amortisation;
  - material items of income and expense disclosed in accordance with HKAS 1 (e.g. cost of sales);
  - the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
  - income tax expense or income; and
  - material non-cash items other than depreciation and amortisation

In the hypothetical circumstances of HK Listco, although depreciation and amortisation expense is not included in the measure of profit or loss that is reviewed by the group's CODM, such amounts are provided to the CODM who uses this information in evaluating the performance of the entity's segments. Accordingly, disclosure of depreciation and amortisation expense by each reportable segment is disclosed.

HKAS 7.50(d)

In addition to the disclosure of segment results required by HKFRS 8, HKAS 7 encourages the disclosure of additional information about the amount of cash flows arising from the operating, investing and financing activities of each reportable segment. Although not explicitly stated in HKAS 7, we presume that such information should only be disclosed on a segment basis if such information is included in the information reported internally to the CODM.

HKFRS 8.16 & 6

[124] In this illustration it is assumed that the construction contracts activity is separately identified as an operating segment in information provided internally to the CODM and that management has decided that it would be useful information to disclose this segment separately. If instead management had decided that the "construction contracts" segment was not sufficiently material to be regarded as a reportable segment, it could have labelled the amounts relating to this segment (and any other immaterial operating segments) as relating to "all other segments" in accordance with paragraph 16 of HKFRS 8. However, given that in HK Listco's assumed circumstances "construction contracts" is separately identified as an operating segment in information provided to HK Listco's CODM, it would not have been acceptable to simply include these amounts in the "unallocated amounts" disclosed in the reconciliation under paragraph 28 of HKFRS 8. Where an "all other segments" category is presented, the sources of revenue in this category should be described (paragraph 16 of HKFRS 8).

HKFRS 8.23

[125] In respect of the disclosure of segment interest revenue and interest expense, an entity should report interest revenue separately from interest expense for each reportable segment (assuming this information is reported to and used by the CODM) unless a majority of the segment's revenues are from interest and the CODM relies primarily on net interest revenue in making decisions about the segment (e.g. if the segment is a financial services segment). In that situation, the entity may report that segment's interest revenue net of interest expense and disclose that it has done so.

HKFRS 8.24

[126] An entity should disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the CODM or are otherwise regularly provided to the CODM even if not included in the measure of segment assets:

- the amount of investment in associates and joint ventures accounted for by the equity method; and
- the amounts of additions to non-current assets (other than non-current financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts).

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

HKFRS 8.28(a)

	2025	2024
Revenue	**$'000**	$'000
Reportable segment revenue	**1,190,255**	1,090,075
Elimination of intersegment revenue	**(105,360)**	(104,835)
Consolidated revenue (note 3(a))	**1,084,895**	985,240

HKFRS 8.28(b)

	2025	2024
Profit	**$'000**	$'000
Reportable segment profit	**220,453**	185,942
Elimination of intersegment profits	**(26,340)**	(26,208)
Reportable segment profit derived from group's external customers and joint venture	**194,113**	159,734
Share of profits less losses of associates	**13,830**	12,645
Other income	**11,119**	9,190
Depreciation and amortisation	**(34,128)**	(27,675)
Finance costs	**(20,618)**	(16,166)
Impairment losses on non-current assets	**(1,384)**	-
Unallocated head office and corporate expenses	**(13,674)**	(10,045)
Consolidated profit before taxation	**149,258**	127,683

HKFRS 8.28(c)

	2025	2024
Assets	**$'000**	$'000
Reportable segment assets	**797,336**	720,298
Elimination of intersegment receivables	**(2,260)**	(1,650)
	795,076	718,648
Interests in associates	**40,308**	29,478
Equity securities designated at FVOCI	**5,040**	4,950
Financial assets measured at FVPL	**24,289**	21,886
Financial assets measured at amortised cost	**31,601**	21,596
Trading securities	**58,331**	58,020
Deferred tax assets	**2,539**	3,495
Unallocated head office and corporate assets	**8,689**	6,334
Consolidated total assets	**965,873**	864,407

HKFRS 8.28(d)

	2025	2024
Liabilities	**$'000**	$'000
Reportable segment liabilities	**356,208**	338,266
Elimination of intersegment payables	**(2,260)**	(1,650)
	353,948	336,616
Current tax liabilities	**6,750**	7,244
Pillar Two tax liabilities	**2,928**	360
Deferred tax liabilities	**19,194**	13,850
Unallocated head office and corporate liabilities	**22,606**	18,664
Consolidated total liabilities	**405,426**	376,734

HKFRS 8.33

(iii) Geographic information[127]

The following table sets out information about the geographical location of (i) the group's revenue from external customers and (ii) the group's investment property, property, plant and equipment, intangible assets, goodwill and interests in associates and joint venture ("specified non-current assets")[128]*. The geographical location of customers is based on the location at which the services were provided or the goods delivered*[129]*. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint venture*[129]*.*

HKFRS 15.114

	Revenues from external customers[111]		*Specified non-current assets*	
	2025	*2024*	***2025***	*2024*
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)[130]	***767,083***	*704,506*	***273,058***	*219,210*
Chinese Mainland	***1,750***	*1,220*	***72,765***	*50,095*
United States	***129,528***	*100,600*	***-***	*-*
Singapore	***43,468***	*22,174*	***30,478***	*36,472*
Malaysia	***32,592***	*15,730*	***42,366***	*39,307*
Germany	***35,268***	*45,450*	***-***	*-*
France	***18,774***	*29,230*	***-***	*-*
Other countries	***56,432***	*66,330*	***-***	*-*
	317,812	*280,734*	***145,609***	*125,874*
	1,084,895	*985,240*	***418,667***	*345,084*

The analysis above includes property rental income from external customers in Hong Kong and in Chinese Mainland of $7,795,000 (2024: $5,595,000) and $740,000 (2024: $616,000) respectively.

HKFRS 8.31-34

127 HKFRS 8 requires disclosure of information about an entity's products and services, geographical areas and major customers, regardless of the entity's organisation (i.e. even if the entity has a single reportable segment). These minimum disclosures, referred to as "entity-wide disclosures" in HKFRS 8, should be based on the financial information that is used to produce the entity's financial statements (i.e. not based on the management approach) and are required if they are not provided as part of the reportable segment information required by the standard. In HK Listco's financial statements, we have included the information relating to geographic location of customers and non-current assets here in Note 3(b) "Segment reporting" and included the information on the entity's products and services and major customers in Note 3(a) "Revenue". Other approaches to disclosing this information are also acceptable provided they meet the basic disclosure requirement of paragraph 113 of HKAS 1, to present notes in a systematic manner.

HKFRS 15.114

Regardless of where disclosed, these entity-wide disclosures are also a form of disaggregated revenue disclosure that may contribute towards satisfying paragraph 114 of HKFRS 15 (see footnote 112).

HKFRS 8.33

128 As part of the required entity-wide disclosures, HKFRS 8 requires the disclosure of certain geographic information, unless the necessary information is not available and the cost to develop it would be excessive. The information required to be analysed geographically is (a) revenue from external customers and (b) non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts. In respect of (b), in our view, users may find it helpful if the disclosure identified which of the group's non-current assets are included in this disclosure, rather than simply repeating the words in HKFRS 8.33(b) concerning "non-current assets other than financial instruments, deferred tax ...". This description will therefore vary from one entity to the next, depending on which non-current assets they carry.

HKFRS 8.33

129 HKFRS 8 requires the revenue and specified non-current assets to be "attributed" to countries. This is intended to allow flexibility to entities, for example it allows them to decide for themselves how to attribute revenue to countries in situations where the goods are shipped to one country but the invoices are sent to another country (see paragraph 106 of Appendix A to the Basis for conclusions to HKFRS 8). Given this flexibility, entities are required to disclose the attribution basis used.

HKFRS 8.33 [130] Paragraph 33 of HKFRS 8 states that revenue and non-current asset information is required to be analysed by (a) the entity's country of domicile and (b) all foreign countries in total. To the extent that a foreign operation is material, further disclosure by country is required, and it would not be adequate simply to identify broad geographic areas of contiguous countries (e.g. Europe) (see paragraph 105 of Appendix A to the Basis for conclusions to HKFRS 8). An entity is allowed, however, to provide sub-totals of the geographic information by groups of countries, in addition to the required information by country.

There is no further explanation as to the meaning of the entity's "country of domicile" when the disclosures are made on a consolidated basis and the meaning may be particularly unclear when the parent company is an investment holding company incorporated in an offshore jurisdiction. In our view, in such circumstances, this disclosure may be taken to refer to the country which the group regards as its "home country", for example, where it has the majority of its operations, workforce and/or management headquarters. Furthermore, in our view, given the differences between the economic and legal systems and environment in Hong Kong and Chinese Mainland, it would be useful for users to disclose amounts relating to each of these regions separately, even though they are part of the same country. If in any doubt about the users being confused by a country, or part of a country, being identified as where the entity is domiciled, further disclosure should be given about how the entity has identified its "country of domicile".

4 OTHER INCOME[111]

Reference		2025 $'000	2024 $'000
HKFRS 7.20(b)	Interest income on financial assets measured at amortised cost	**1,363**	1,008
	Dividend income	**610**	572
HKAS 20.39(b)	Government grants (note (i))[131]	**205**	-
	Rentals receivable from operating leases, other than those relating to investment property	**450**	3,300
	Financial guarantee issued	**2**	2
HKFRS 7.24C(b)(ii)	Changes in fair value of interest rate swaps recognised as hedge ineffectiveness	**1**	1
D2(4)(1)(a)	Net loss on sale of property, plant and equipment[132]	**(83)**	-
HKFRS 7.20(a)(i)	Net gain on trading securities[132]	**4,887**	4,307
	Net gain on investments not held for trading	**3,684**	-
		11,119	9,190

HKAS 20.39(b)

(i) In 2025, the group successfully applied for funding support from the Commercial Research and Development Fund ("the Fund"), set up by the [●] Government. The purpose of the Fund is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

HKAS 20.29

131 According to paragraph 29 of HKAS 20, government grants relating to income may either be reported as income (as is shown here) or deducted in reporting the related expense.

HKAS 1.34 & 35

HKFRS 7.20(a)(i)

132 In accordance with HKAS 1, the results of transactions which are incidental to the main revenue generating activities are generally presented on a net basis (for example, the net gain or loss arising from the disposal of a non-current asset). In addition, HKAS 1 states that gains and losses arising from a group of similar transactions (for example, gains and losses arising on financial instruments held for trading during the period) are reported together on a net basis, unless separately material. However, requirements of other more specific HKFRS Accounting Standards may restrict the extent to which amounts may be aggregated. For example, HKFRS 7 requires net gains or losses on financial instruments at fair value through profit or loss to be separately analysed between those arising on financial instruments designated as such upon initial recognition and those arising on instruments which are mandatorily measured at FVPL in accordance with HKFRS 9.

5 PROFIT BEFORE TAXATION

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

Reference			2025	2024
			$'000	$'000
	(a)	**Finance costs**		
		Interest on bank loans and other borrowings (note 22(c))	**18,573**	13,973
HKFRS 16.53(b)		Interest on lease liabilities (note 22(c))	**4,587**	3,967
		Dividends on redeemable preference shares (note 22(c) & 32(b))	**200**	200
		Other interest expense (note 22(c))	**1,136**	1,136
HKFRS 7.20(b)		Total interest expense on financial liabilities not at fair value through profit or loss[133]	**24,496**	19,276
		Interest accrued on advance payments from customers (note 20(b))	**985**	518
HKAS 23.26(a)		Less: interest expense capitalised into properties under development*	**(4,765)**	(3,548)
			20,716	16,246
HKFRS 7.24C(b)(iv)		Interest-rate swaps: cash flow hedges, reclassified from equity (note 9(b))	**(98)**	(80)
			20,618	16,166

HKAS 23.26(b) * The borrowing costs have been capitalised at a rate of [●] - [●]% per annum (2024: [●] - [●]%).

Reference			2025	2024
			$'000	$'000
HKAS 1.104	**(b)**	**Staff costs#134**		
HKAS 19.53		Contributions to defined contribution retirement plan	**9,972**	9,252
HKAS 19.135(b)		Expenses recognised in respect of defined benefit plans:		
		- ORSO plans (note 28(b)(v))	**14,877**	14,216
		- Long service payments (note 28(c))	**367**	1,294
HKFRS 2.50 & 51(a)		Equity-settled share-based payment expenses (note 29)	**1,658**	1,625
		Salaries, wages and other benefits	**386,999**	354,525
			413,873	380,912

HKFRS 7.20(b) 133 Paragraph 20(b) of HKFRS 7 requires disclosure of total interest expense calculated using the effective interest method for financial liabilities that are not carried at fair value through profit or loss. This would include, for example, interest expense recognised on payables carried at amortised cost (i.e. due to deferred payment terms), interest on lease liabilities, as well as interest incurred on bank loans. However, it would not include the unwinding of discounts on provisions, as provisions are not a type of financial instrument.

HKAS 1.104, HKAS 19.53, 135(b) HKFRS 2.50, 51a 134 Disclosure of staff costs in this note would not normally be required when the analysis of expenses is presented using a classification based on the nature of expenses, rather than their function. However, disclosures of the amounts recognised as an expense for defined contribution plans and for share-based payment transactions are still required under the disclosure requirements of paragraph 53 of HKAS 19 and paragraph 51(a) of HKFRS 2, respectively. Although disclosure of expense recognised for defined benefit plans is not specifically required by HKAS 19, this information may be necessary in order to satisfy the disclosure objective of HKAS 19 – giving information that identifies the amounts in the financial statements arising from defined benefit plans. See footnote 239 for further details of HKAS 19's disclosure objectives.

		2025 $'000	2024 $'000
	(c) Other items		
HKAS 1.104	Amortisation cost of intangible assets# (note 12)	**2,680**	1,500
HKAS 1.104	Depreciation charge# (note 11)		
	- owned property, plant and equipment	**10,858**	10,042
	- right-of-use assets	**20,590**	16,133
		31,448	26,175
	Impairment losses on non-financial assets		
	- plant and machinery (note 11(a))	**1,200**	-
	- goodwill (note 13)	**184**	-
		1,384	-
HKAS 21.52(a)	Net foreign exchange loss/(gain)	**1,250**	(5,251)
	Net (gain)/loss on forward foreign exchange contracts		
HKFRS 7.24C(b)(iv)	- net gain on cash flow hedging instruments reclassified through OCI (note 9(b))	**(300)**	(280)
HKFRS 7.20(a)(i)	- net (gain)/loss on other forward foreign exchange contracts	**(525)**	3,580
		425	(1,951)
CP	Auditors' remuneration[135]		
Sch 4, Part 2, Section 1	- audit services[136]	**1,062**	885
CP	- tax services	**200**	188
CP	- other services	**100**	80
		1,362	1,153
HKAS 37.84(b)	Increase in provisions (note 31)	**12,439**	12,000
HKAS 40.75(f)	Rentals income from investment properties less direct outgoings of $1,375,000 (2024: $1,037,000)[137]	**(7,160)**	(5,174)
HKAS 2.36(d)	Cost of inventories# (note 19(a))	**786,042**	719,370

Cost of inventories includes $315,678,000 (2024: $281,865,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses, and net gain on cash flow hedging instruments removed from equity to the initial carrying amount of inventories.[138]

C1, Part 1(l)

D2(34)

[135] In accordance with paragraph l under Part 1 of Appendix C1 to the MBLRs, a listed issuer is required to disclose an analysis of auditors' remuneration in respect of both audit and non-audit services in the corporate governance report (CGR) included in its annual report. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid. As compared to the requirement under CO to disclose the amount of the remuneration of the auditor (see footnote 136), Appendix C1 to the MBLRs is more prescriptive and includes requirements on disclosures of:

- remuneration of non-audit services; and
- remuneration of services provided by any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.

When the amounts of auditors' remuneration disclosed in accordance with Appendix C1 to the MBLRs and the CO are different, a reconciliation is recommended to facilitate an understanding of the nature of the difference.

Where a listed entity chooses to present such analysis in its annual financial statements, the issuer must make a clear and unambiguous reference to its annual financial statements from the CGR. The CGR must not only contain a cross-reference without any discussion of the matter.

Sch 4, Part 2

[136] Under the CO, companies are required to disclose, under a separate heading, the amount of the remuneration of the auditor. As defined in the CO, "remuneration" includes any sums paid by the company in respect of the auditor's expenses. This disclosure is required to be made in the financial statements.

HKAS 40.75(f)

[137] Where the entity has investment properties which were vacant during the period, or otherwise not generating rental income, the entity should analyse direct operating expenses (including repairs and maintenance) between that amount relating to investment properties which generated rental income and that amount relating to investment properties that did not generate rental income.

CP

[138] Although there is no requirement for such disclosure, it is best practice to show the extent of duplication in the disclosures made in this note.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HKAS 12.79

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

Reference		2025 $'000	2024 $'000
CP	**Current tax - Hong Kong**[139]		
	Hong Kong Profits Tax:		
HKAS 12.80(a)	- Provision for the year	**11,236**	14,849
HKAS 12.80(b)	- Under/(over)-provision in respect of prior years	**61**	(300)
		11,297	14,549
HKAS 12.88B	Pillar Two income taxes (note 6(c))	**1,764**	-
		13,061	14,549
CP	**Current tax - Overseas**[139]		
	Income taxes excluding Pillar Two income taxes:		
HKAS 12.80(a)	- Provision for the year	**6,605**	6,590
HKAS 12.80(b)	- Over-provision in respect of prior years	**(619)**	-
		5,986	6,590
HKAS 12.88B	Pillar Two income taxes (note 6(c))	**1,164**	360
		7,150	6,950
	Deferred tax		
HKAS 12.80(c)	Origination and reversal of temporary differences	**4,264**	(489)
	Effect on deferred tax balances at 1 January resulting from a change in tax rate (note 30(b))	**-**	325
		4,264	(164)
		24,475	21,335

The provision for Hong Kong Profits Tax[140] for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime[141].

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139 Under the predecessor Companies Ordinance (Cap. 32) and the previous version of Appendix D2 to the MBLRs, the amounts of tax payable to the Hong Kong tax authorities and overseas tax authorities needed to be separately disclosed. Such separation is no longer required but we expect that it may continue to be a common practice to separately disclose these amounts if the information is considered useful.

140 Under the "foreign-sourced income exemption" (FSIE) regime in the Hong Kong SAR, with certain exceptions, the following types of income are no longer exempt from being taxed when received by an entity that carries out a trade, profession or business in the Hong Kong SAR, if that entity is within a multinational group:

- interest;
- dividend;
- disposal gain from sale of intellectual property and property;
- intellectual property income (e.g. licence fee).

Further details about the FSIE regime including the exceptions can be found in Tax Alerts or from your usual KPMG contact.

In this illustration, it is assumed that HK Listco either meets the exception requirements for any of the above offshore-sourced income such that those income is not taxable in the Hong Kong SAR, or does not have the relevant income at all. Accordingly, the FSIE regime does not impact HK Listco's current tax and deferred tax positions.

141 Under the two-tiered profits tax rate regime enacted by the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the Ordinance), the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/2019. For each year of assessment, only one entity in a group is eligible for the two-tiered profits tax rates. Consequently, if a group company (i.e. the parent company, a fellow subsidiary or a subsidiary) of the reporting entity has elected to claim the 8.25% band for a particular year of assessment, the reporting entity will not be eligible for the lower tax rate for that year of assessment.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

The provision for Hong Kong Profits Tax for 2025 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2024/25 subject to a maximum reduction of $1,500 for each business (2024: a maximum reduction of $3,000 was granted for the year of assessment 2023/24 and was taken into account in calculating the provision for 2024).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. As disclosed in note 6(c), the group is also liable to Pillar Two income taxes.

HKAS 12.81(c)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates[142]:

	2025	2024
	$'000	$'000
Profit before taxation	**149,258**	127,683
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**23,462**	22,220
Tax effect of non-deductible expenses	**397**	602
Tax effect of non-taxable income[143]	**(2,176)**	(1,940)
Tax effect of unused tax losses not recognised	**233**	150
Current income tax impact arising from Pillar Two model rules (note 6(c))[144]	**2,928**	360
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**-**	325
Statutory tax concession	**(240)**	(160)
Over-provision in prior years	**(558)**	(300)
Others	**429**	78
Actual tax expense	**24,475**	21,335

HKAS 12.81(c) 142 HKAS 12 requires disclosure of one or other of the following:

(a) a reconciliation between the actual tax expense (or income) and the notional tax calculated at the applicable tax rate; and/or
(b) a reconciliation between the average effective tax rate and the applicable tax rate.

The entity is free to choose which approach to adopt or to adopt both.

HKAS 12.85 The "applicable tax rate" should be the rate that provides the most meaningful information to users of financial statements. This may be the domestic tax rate in the country in which the entity is domiciled or the tax rates of the various tax jurisdictions concerned, where an entity operates in more than one jurisdiction.

143 Where no further tax will be payable by the group on the distribution of profits from associates and joint ventures (i.e. dividend income is tax free), the share of profit recognised under the equity method will be a form of non-taxable income, which would be included as a reconciling item in the tax reconciliation, either separately or together with other forms of non-taxable income.

144 HKAS 12 does not specify how to reflect Pillar Two income taxes in the tax reconciliation. In our view, depending on the specific facts and circumstances, an entity should apply judgement and apply one of the following approaches to reflect the impact of Pillar Two income taxes in the tax reconciliation:

- as a separate line item;
- within the effect of tax rates in foreign jurisdictions;
- within the effect of applying the entity's domestic tax rate to the profit before taxation;
- within the effect of applying the weighted-average tax rate of the group to the profit before taxation.

In this illustration, HK Listco reflected the effect of Pillar Two income taxes in the tax reconciliation as a separate line item.

(c) Pillar Two income taxes[145, 146, 147]

The company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development.

From 1 January 2024, the group's earnings in [jurisdiction A] is subject to the domestic minimum top-up tax that was introduced by [jurisdiction A] with effect from 1 January 2024. Pillar Two income tax expense has been recognised accordingly.

From 1 January 2025, the group is also liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025[148] for its earnings in the Hong Kong SAR and certain other jurisdictions where a domestic minimum top-up tax has not been implemented, including the Chinese Mainland.[149]

HKAS 12.88A

The group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

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145 In this illustration, it is assumed that HK Listco is part of a multinational enterprise group that falls into the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation Development.

146 If the entity falls into scope of the Pillar Two model rules but is exempted from top-up taxes in a particular jurisdiction for the current year by meeting the jurisdictional safe harbour criteria specified in the relevant tax laws, it should consider to disclose this fact as users may find this information useful in understanding the entity's tax exposure.

HKAS 12.88C-88D

147 An entity may operate in multiple jurisdictions, some of which have enacted or substantively enacted tax laws to implement the Pillar Two model rules, but those laws are not yet in effect as at the reporting date. In such case, the entity is required to disclose qualitative and quantitative information to help users of financial statement to understand the entity's exposure to the Pillar Two income taxes, to the extent that such information is known or reasonably estimable. To the extent information is not known or reasonably estimable, the entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

Examples of information an entity could disclose to meet the requirements include:

(a) qualitative information such as information about how an entity is affected by the tax law to implement Pillar Two model rules and the main jurisdiction in which exposures to Pillar Two income taxes might exist; and
(b) quantitative information such as:
    (i) an indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
    (ii) an indication of how the entity's average effective tax rate would have changed if the tax law to implement Pillar Two model rules had been in effect.

148 In June 2025, the Hong Kong SAR Government gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 (the 2025 Amendment Ordinance) to implement the Income Inclusion Rule (IIR) and Hong Kong Minimum Top-up Tax (HKMTT), which take effect for fiscal years beginning on or after 1 January 2025.

The 2025 Amendment Ordinance also implemented the Undertaxed Profits Rule (UTPR) but it will only be effective from a future fiscal year to be specified by the Secretary for Financial Services and the Treasury. In this illustration, it is assumed that the UTPR will not have a material impact on HK Listco therefore it has not provided any disclosures about the UTPR. If an entity expects to be materially impacted by the UTPR once it is in effect, it should provide the required disclosures in accordance with paragraph 88C and 88D of HKAS 12 (see footnote 147).

149 In this illustration, it is assumed that the jurisdiction in which the ultimate parent (and also the immediate parent) of HK Listco is incorporated has not implemented Pillar Two tax laws and therefore the top-up tax is borne by HK Listco under the IIR.

7 DIRECTORS' EMOLUMENTS[150, 151]

S383(1), D2(24)
HKAS 24.17

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows[152]:

	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Sub-Total*	*Share-based payments (note)[153]*	*2025 Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Chairman							
Hon WS Tan	**150**	**-**	**-**	**-**	**150**	**-**	**150**
Executive directors							
SK Ho	**50**	**1,210**	**215**	**120**	**1,595**	**-**	**1,595**
YK Ng	**50**	**1,180**	**200**	**115**	**1,545**	**125**	**1,670**
PK Smith	**50**	**1,290**	**205**	**125**	**1,670**	**200**	**1,870**
CJ Wang (appointed on 18 June 2025)	**20**	**330**	**55**	**30**	**435**	**-**	**435**
BC Tong (resigned on 31 March 2025)	**10**	**165**	**25**	**15**	**215**	**(50)**	**165**
Independent non-executive directors							
TY Sham	**100**	**-**	**-**	**-**	**100**	**-**	**100**
YH Li	**100**	**-**	**-**	**-**	**100**	**-**	**100**
AC Man	**100**	**-**	**-**	**-**	**100**	**-**	**100**
	630	**4,175**	**700**	**405**	**5,910**	**275**	**6,185**

150 The requirements about directors' remunerations particularly in respect of elements of a director's package other than basic salary and bonus have been expanded and/or clarified in the C(DIBD)R. For further details about the key changes introduced by the C(DIBD)R in respect of directors' remuneration, please refer to KPMG's Briefing Note 1 "What's new for financial statements?" which can be obtained from your usual KPMG contact.

C(DIBD)R.4, 5&6

151 It should be noted that "directors' emoluments" are broadly defined in the C(DIBD)R and include, for example, emoluments in respect of accepting office as director, non-cash benefits and amounts paid into a retirement scheme on the directors' behalf (such as MPF contributions paid on behalf of a director). This amount of emoluments should be split into two categories: (1) amounts relating to being a director of the company or of the company's subsidiary (i.e. directors' fees) and (2) amounts relating to other services in connection with the management of the affairs of the company or its subsidiaries. The nature of any non-cash benefit should also be disclosed.

In addition to directors' emoluments, the C(DIBD)R requires disclosure of the following types of directors' remuneration:

- directors' retirement benefits*;
- payments made, or benefit provided in respect of termination of directors' services; and
- consideration provided to or receivable by third parties for making available directors' services.

* The term "directors' retirement benefits" is referring to amounts arising on or after or in connection with a directors' retirement, and excludes amounts paid out of a scheme if the contributions into the scheme were substantially adequate for the maintenance of the scheme.

In this illustration, HK Listco only has directors' emoluments to disclose. When entities have other types of directors' remuneration in addition to directors' emoluments, they should disclose each of them separately. In that case, the note should be labelled as "Directors' remuneration" or any terms as appropriate to suit the content of the note.

D2(24)

152 Unlike section 383(1) of the CO under which the analysis of directors' remuneration can be presented on a no-names basis, paragraph 24 of Appendix D2 to the MBLRs requires listed companies to show details of directors' and past directors' emoluments, by name. References to "director" in that paragraph include a chief executive who is not a director. In the case of an issuer which is duly incorporated in Chinese Mainland as a joint stock limited company, directors or past directors include supervisors and past supervisors (as appropriate) (paragraph 24.4 of Appendix D2).

In this illustration, it is assumed that HK Listco does not have any amounts paid or payable to directors as an inducement to join or upon joining the listed issuer or to directors or past directors for the loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group. If an entity has such amounts paid or payable to directors or past directors, details should be disclosed in accordance with paragraphs 24(5) and (6) of Appendix D2 to the MBLRs.

In addition, it is assumed that HK Listco does not have any arrangement under which a director has waived or agreed to waive any emoluments. If an entity has such arrangement, details should be disclosed in accordance with paragraph 24A of Appendix D2 to the MBLRs.

The SEHK has also further clarified in the response to its frequently asked questions No. 77 released under Series 1 "Rule Requirements relating to Listing Criteria Issues and Continuing Obligations", that comparative figures for disclosure of directors' emoluments on a named basis must also be disclosed. The above analysis illustrates one of the possible formats for such disclosure. Paragraph E.1.8 under Part 2 of Appendix C1 to the MBLRs also recommends that issuers disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments[153]	2024 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Chairman							
Hon WS Tan	150	-	-	-	150	-	150
Executive directors							
SK Ho	50	1,090	150	100	1,390	-	1,390
YK Ng	50	1,060	125	100	1,335	125	1,460
PK Smith	50	1,160	150	110	1,470	200	1,670
BC Tong	40	600	70	60	770	50	820
Independent non-executive directors							
TY Sham	100	-	-	-	100	-	100
YH Li	100	-	-	-	100	-	100
AC Man	100	-	-	-	100	-	100
	640	3,910	495	370	5,415	375	5,790

Note:

These represent the estimated value of share options granted to the directors under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in note 1(x)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 29. In addition, the company has given a guarantee on behalf of a director to a finance company. This benefit in kind is disclosed in note 23.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

D2(25)
HKAS 24.17

Of the five individuals with the highest emoluments, three (2024: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2024: two) individuals are as follows:

		2025 $'000	2024 $'000
D2(25)(1)	Salaries and other emoluments	**1,500**	1,400
D2(25)(3)	Discretionary bonuses	**150**	140
	Share-based payments	**150**	150
D2(25)(2)	Retirement scheme contributions	**140**	130
		1,940	1,820

C(DIBD)R.4(2)(b) 153 The CO requires entities to disclose the nature of any non-cash benefits included in the total amounts disclosed for emoluments, retirement benefits, compensation or consideration paid to third parties. However, it is not necessary to separately disclose the monetary amounts of those non-cash benefits included in the totals. In the illustration above this requirement is met by separately disclosing share-based payments. Other examples could include allowing the director to live in accommodation owned by the company rent-free.

D2(25)(6) *The emoluments of the two (2024: two) individuals with the highest emoluments are within the following bands[154]:*

$			***2025 Number of individuals***	*2024 Number of individuals*
Nil	*-*	*1,000,000*	***1***	*2*
1,000,001	*-*	*1,500,000*	***1***	*-*

9 OTHER COMPREHENSIVE INCOME

HKAS 1.90

(a) Tax effects relating to each component of other comprehensive income

	2025 Before-tax amount $'000	**2025 Tax (expense)/ benefit $'000**	**2025 Net-of-tax amount $'000**	2024 Before-tax amount $'000	2024 Tax (expense)/ benefit $'000	2024 Net-of-tax amount $'000
Exchange differences on translation of:						
- financial statements of overseas subsidiaries	**(2,173)**	**-**	**(2,173)**	1,047	-	1,047
- related borrowings	**494**	**-**	**494**	(219)	-	(219)
	(1,679)	**-**	**(1,679)**	828	-	828
Surplus on revaluation of land and buildings held for own use	**27,290**	**(2,138)**	**25,152**	7,158	(846)	6,312
Cash flow hedge: net movement in hedging reserve	**(347)**	**61**	**(286)**	(320)	56	(264)
Remeasurement of defined benefit plan obligations	**(9)**	**-**	**(9)**	(10)	-	(10)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**90**	**-**	**90**	50	-	50
Other comprehensive income	**25,345**	**(2,077)**	**23,268**	7,706	(790)	6,916

HKAS 1.92-94

(b) Components of other comprehensive income, including reclassification adjustments

		2025 $'000	2024 $'000
	Cash flow hedges:		
	Effective portion of changes in fair value of hedging instruments recognised during the period	**51**	40
HKFRS 7.24C(b)(iv),(v)	Reclassification adjustments for amounts transferred to profit or loss:		
	- finance costs (note 5(a))	**(98)**	(80)
	- cost of sales (note 5(c))	**(300)**	(280)
	Net deferred tax credited to other comprehensive income	**61**	56
	Net movement in the hedging reserve during the period recognised in other comprehensive income	**(286)**	(264)
	Equity investments measured at FVOCI		
HKFRS 7.20(a)(vii)	Changes in fair value recognised during the period	**90**	50
	Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	**90**	50

D2(25)(6) 154 Paragraph 25(6) of Appendix D2 to the MBLRs specifically requires the analysis to be expressed in Hong Kong dollars (regardless of whether the annual report is expressed in Hong Kong dollars or not). Paragraph 25(6) of Appendix D2 also requires the analysis to have the bands from HK$nil up to HK$1,000,000 or higher bands (where the higher limit of the band is an exact multiple of HK$500,000 and the range of the band is HK$499,999).

10 EARNINGS PER SHARE

(a) Basic earnings per share

HKAS 33.70(a)&(b)

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $114,367,000 (2024: $96,181,000) and the weighted average of 99,531,000 ordinary shares (2024: 99,000,000 shares after adjusting for the bonus issue in 2025)[155] in issue during the year, calculated as follows:

HKAS 33.70(b)

Weighted average number of ordinary shares

	2025	*2024*
	'000	*'000*
Issued ordinary shares at 1 January	***90,000***	*90,000*
Effect of bonus issue (note 32(c)(ii))	***9,000***	*9,000*
Effect of shares repurchased (note 32(c)(iii))	***(386)***	*-*
Effect of share options exercised (note 32(c)(iv))	***917***	*-*
Weighted average number of ordinary shares at 31 December	***99,531***	*99,000*

(b) Diluted earnings per share

HKAS 33.70(a)&(b)

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $114,893,000 (2024: $96,704,000) and the weighted average number of ordinary shares of 100,470,000 shares (2024: 99,664,000 shares after adjusting for the bonus issue in 2025)[155], calculated as follows:

HKAS 33.26-27, 64

155 Paragraph 26 of HKAS 33 requires that for the purpose of calculating earnings per share, the weighted average number of ordinary shares outstanding during the period and for all periods presented should be adjusted for events, other than conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources. Paragraph 27 provides some examples of such events: capitalisation or bonus issue, bonus element in any other issue (e.g. bonus element in a rights issue), share split and reverse share split.

Paragraph 64 of HKAS 33 states that the requirement to restate the per share calculations for all periods presented applies even if the change occurs after the end of the reporting period (but before the financial statements are authorised for issue). In that case, the fact that per share calculations reflect the post balance sheet change in the number of shares should be disclosed. In our view, this requirement in paragraph 64 does not apply to a rights issue which occurred after the end of the reporting period. This is because the computation of the bonus element in a rights issue requires information on the market price of the shares immediately before exercise of the rights i.e. relates to circumstances which did not exist at the end of the reporting period. Therefore, the retrospective adjustment for a rights issue would only be made for rights issues that occurred during the reporting period. Any rights issue that occurred after the end of the reporting period but before the financial statements are authorised for issue should be disclosed as a non-adjusting event in accordance with paragraph 70(d) of HKAS 33 and paragraph 22(f) of HKAS 10.

HKAS 33.70(a) *(i) Profit attributable to ordinary equity shareholders of the company (diluted)*

	2025	2024
	$'000	$'000
Profit attributable to ordinary equity shareholders	***114,367***	*96,181*
After tax effect of effective interest on the liability component of convertible notes	***525***	*522*
After tax effect of losses recognised on the derivative component of convertible notes	***1***	*1*
Profit attributable to ordinary equity shareholders (diluted)	***114,893***	*96,704*

HKAS 33.70(b) *(ii) Weighted average number of ordinary shares (diluted)*

	2025	2024
	'000	'000
Weighted average number of ordinary shares at 31 December	***99,531***	*99,000*
Effect of conversion of convertible notes (note 25)	***500***	*500*
Effect of deemed issue of shares under the company's share option scheme for nil consideration (note 29)	***439***	*164*
Weighted average number of ordinary shares (diluted) at 31 December	***100,470***	*99,664*

11 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT[156]

(a) Reconciliation of carrying amount

		Ownership interests in land and buildings held for own use $'000	Other properties leased for own use $'000	Plant, machinery and equipment $'000	Sub-total $'000	Investment property $'000	Total $'000
	Cost or valuation:						
HKAS 16.73(d)	At 1 January 2024	74,323	39,189	140,462	253,974	60,170	314,144
HKAS 16.73(e)(viii))	Exchange adjustments	236	-	870	1,106	-	1,106
HKAS 16.73(e)(i)	Additions	7,927	14,235	16,833	38,995	-	38,995
HKAS 16.73(e)(ii)	Disposals	-	-	(3,845)	(3,845)	-	(3,845)
HKAS 16.73(e)(iv)	Surplus on revaluation	7,158	-	-	7,158	-	7,158
	Less: elimination of accumulated depreciation	(1,937)	-	-	(1,937)	-	(1,937)
HKAS 40.76	Fair value adjustment	-	-	-	-	6,520	6,520
HKAS 16.73(d)	At 31 December 2024	87,707	53,424	154,320	295,451	66,690	362,141
	Representing:						
	Cost	-	53,424	154,320	207,744	-	207,744
	Valuation – 2024	87,707	-	-	87,707	66,690	154,397
		87,707	53,424	154,320	295,451	66,690	362,141
HKAS 16.73(d)	At 1 January 2025	87,707	53,424	154,320	295,451	66,690	362,141
HKAS 16.73(e)(viii))	Exchange adjustments	(1,171)	-	(1,230)	(2,401)	-	(2,401)
HKAS 16.73(e)(i)	Additions	10,373	14,535	16,344	41,252	-	41,252
HKAS 16.73(e)(ii)	Disposals	-	-	(4,570)	(4,570)	-	(4,570)
HKAS 16.73(e)(iv)	Surplus on revaluation	27,290	-	-	27,290	-	27,290
	Less: elimination of accumulated depreciation	(2,649)	-	-	(2,649)	-	(2,649)
HKAS 40.76	Fair value adjustment	-	-	-	-	18,260	18,260
HKAS 16.73(d)	**At 31 December 2025**	**121,550**	**67,959**	**164,864**	**354,373**	**84,950**	**439,323**
	Representing:						
	Cost	-	67,959	164,864	232,823	-	232,823
	Valuation – 2025	121,550	-	-	121,550	84,950	206,500
		121,550	67,959	164,864	354,373	84,950	**439,323**

HKAS 1.38 — [156] Comparative information is required for the analysis of the movements, as HKFRS Accounting Standards do not give a specific exemption in this regard.

		Ownership interests in land and buildings held for own use $'000	Other properties leased for own use $'000	Plant, machinery and equipment $'000	Sub-total $'000	Investment property $'000	Total $'000
	Accumulated amortisation and depreciation:						
HKAS 16.73(d)	At 1 January 2024	-	-	72,395	72,395	-	72,395
HKAS 16.73(e)(viii)	Exchange adjustments	-	-	334	334	-	334
HKAS 16.73(e)(vii)	Charge for the year	1,937	9,737	14,501	26,175	-	26,175
HKAS 16.73(e)(ii)	Written back on disposals	-	-	(2,837)	(2,837)	-	(2,837)
HKAS 16.73(e)(iv)	Elimination on revaluation	(1,937)	-	-	(1,937)	-	(1,937)
HKAS 16.73(d)	At 31 December 2024	-	9,737	84,393	94,130	-	94,130
HKAS 16.73(d)	At 1 January 2025	-	9,737	84,393	94,130	-	94,130
HKAS 16.73(e)(viii)	Exchange adjustments	-	-	(526)	(526)	-	(526)
HKAS 16.73(e)(vii)	Charge for the year	2,649	12,811	15,988	31,448	-	31,448
HKAS 16.73(e)(v)	Impairment loss	-	-	1,200	1,200	-	1,200
HKAS 16.73(e)(ii)	Written back on disposals	-	-	(3,738)	(3,738)	-	(3,738)
HKAS 16.73(e)(iv)	Elimination on revaluation	(2,649)	-	-	(2,649)	-	(2,649)
HKAS 16.73(d)	**At 31 December 2025**	**-**	**22,548**	**97,317**	**119,865**	**-**	**119,865**
HKAS 16.73(e)	**Net book value:**						
	At 31 December 2025	**121,550**	**45,411**	**67,547**	**234,508**	**84,950**	**319,458**
	At 31 December 2024	87,707	43,687	69,927	201,321	66,690	268,011

Impairment loss[157]

HKAS 36.126(a) & 130

In June 2025, a number of machines in the property development division[158] were physically damaged. The group assessed the recoverable amounts of those machines and as a result the carrying amount of the machines was written down to their recoverable amount of $6,230,000[159]. An impairment loss of $1,200,000 was recognised in "Cost of sales"[160]. The estimates of recoverable amount were based on the machines' fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry, adjusted for differences such as remaining useful lives[161]. The fair value on which the recoverable amount is based on is categorised as level 3 measurement. The equipment was disposed of before the end of the year at approximately its carrying amount at that time.[162]

[*Paragraphs 126 to 132 of HKAS 36 contain detailed disclosure requirements that apply whenever an entity recognises an impairment loss/a reversal of an impairment loss. If an impairment loss has been recognised or reversed, care should be taken to comply with these requirements, including disclosing key assumptions . It may be helpful to the reader to include sensitivity analysis for any particularly judgemental assumptions which may be subject to change in an uncertain future.*][183]

HKFRS 16.96

157 If the lessor recognises impairment loss on assets subject to operating leases, it needs to provide the disclosure required by HKAS 36 for assets subject to operating lease separately from owned assets held and used by the entity.

HKAS 36.130 (c)(ii)

158 If an entity reports segment information in accordance with HKFRS 8, it should disclose for an individual asset the reportable segment to which the asset belongs.

HKAS 36.130(e)

159 For an individual asset (including goodwill) or a cash-generating unit for which an impairment loss has been recognised or reversed during the period, the entity is required to disclose the recoverable amount of the asset or CGU and whether the recoverable amount of the asset or CGU is its fair value less costs of disposal or its value in use. If the recoverable amount is fair value less costs of disposal, additional disclosures will be required. See footnote 161 below for details of those additional disclosures.

HKAS 36.126(a)

160 In this illustration, HK Listco presents its expenses by function (see footnote 48) and has therefore allocated the impairment loss of non-financial assets to the appropriate function. In our view, only expenses that cannot be allocated to a specific function are classified as "other operating expenses" (e.g. impairment of goodwill). This is the case even if the asset to which the impairment relates is subsequently disposed of before the end of the same year – in this illustration, HK Listco has kept the impairment loss previously recognised in the published interim financial statements in the same line item (i.e. "Cost of sales") even though the asset to which the impairment relates was subsequently disposed of, and the gain or loss on disposal is included in a different line item (i.e. "Other income" in note 4) in the annual financial statements.

HKFRS 13.7(c)
HKAS 36.130(f)

161 As stated in paragraph 7(c) of HKFRS 13, an asset whose recoverable amount is fair value less costs of disposal in accordance with HKAS 36 is outside the scope of HKFRS 13's disclosure requirements. Instead, entities need to provide the following disclosures required by paragraph 130 of HKAS 36 if an impairment loss has been recognised or reversed during the period in respect of the asset whose recoverable amount is fair value less costs of disposal:

- the level of the 3-level fair value hierarchy (as defined in HKFRS 13) within which the fair value measurement is categorised;
- for Level 2 and Level 3 fair value measurements:
  - a description of the valuation technique(s) used to measure fair value less costs of disposal;
  - any change in valuation technique used and the reason(s) for making the change;
  - key assumptions used in determining the fair value less costs of disposal; and
  - discount rate used in the measurement if a present value technique is used for measuring fair value less costs of disposal.

HKAS 34.26

162 If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, paragraph 26 of HKAS 34 requires the nature and amount of the change in estimate to be disclosed in a note to the annual financial statements unless a separate interim financial report is published for that final period. For entities listed on the Stock Exchange of Hong Kong, as typically an interim financial report is only published in respect of the first six months of the period, this disclosure requirement in paragraph 26 of HKAS 34 would apply to the annual financial statements whenever there is a significant change in the second half of the year to an estimate reported in the first half of the year.

HKFRS 13.91-93

(b) Fair value measurement of properties[163]

HKFRS 13.93(b)

(i) Fair value hierarchy[166]

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2025 categorised into		
	Fair value at 31 December 2025[167]	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement [164]				
Investment properties[165]:				
- Residential – Chinese Mainland	32,000	-	-	32,000
- Commercial – Hong Kong	52,950	-	52,950	-
Properties held for own use:				
- Freehold land and buildings – South East Asia	34,000	-	-	34,000
- Leasehold land and buildings[165] – Hong Kong	87,550	-	87,550	-

		Fair value measurements as at 31 December 2024 categorised into		
	Fair value at 31 December 2024	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Investment properties:				
- Residential – Chinese Mainland	26,500	-	-	26,500
- Commercial – Hong Kong	40,190	-	40,190	-
Properties held for own use:				
- Freehold land and buildings – South East Asia	30,059	-	-	30,059
- Leasehold land and buildings – Hong Kong	57,648	-	57,648	-

HKFRS 13.91 92, 99,C1-C3

[163] HKFRS 13 contains a comprehensive disclosure framework for fair value measurement. The objective of the disclosures for assets and liabilities that are measured at fair value after initial recognition is:

- to provide information that enables users of financial statements to assess the methods and inputs used to develop those measurements; and
- to assess the effect of the measurements on profit or loss or other comprehensive income of recurring fair value measurements that are based on significant unobservable inputs.

Paragraphs 93 to 99 of HKFRS 13 list out the disclosures required by the standard. The disclosure requirements apply only to fair value measurements made after initial recognition and vary depending on whether the fair value measurement is "recurring" or "non-recurring", and depending on which level of the 3-level fair value hierarchy (as further discussed in footnote 166 below) that the assets or liabilities are categorised within. As explained in footnote 164 below, recurring fair value measurements arise from assets or liabilities measured on a fair value basis at each reporting date. All other measurements using fair value after initial recognition are "non-recurring". The most extensive disclosure requirements are for "Level 3" measurements that are recurring.

Paragraph 92 of HKFRS 13 explicitly requires that if the disclosures provided in accordance with the standard and other HKFRS Accounting Standards are insufficient to meet the above-mentioned disclosure objectives, entities should disclose additional information necessary to meet those objectives.

Unless another format is more appropriate, the quantitative disclosures required by HKFRS 13 should be presented in a tabular format (i.e. instead of being a narrative note).

In this illustration, HK Listco provides HKFRS 13 disclosures for its investment properties and properties held for own use in note 11(b), and financial instruments in note 33(f).

HKFRS 13.93(a)

[164] Recurring fair value measurements arise from assets or liabilities measured on a fair value basis at each reporting date. Examples of recurring fair value measurements include investment properties accounted for using fair value model under HKAS 40, properties held for own use measured at revaluation model under HKAS 16, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income under HKFRS 9.

Non-recurring fair value measurements made after initial recognition are those that are triggered by particular circumstances. Non-recurring fair value measurements include an asset being classified as held for sale and measured at fair value less costs to sell under HKFRS 5.

HKAS 40.40A, HKFRS 16.34-35

[165] The right-of-use assets, and not the underlying property, shall be measured at fair value, when the lessee uses the fair value model to measure an investment property that is held as a right-of-use asset. This also applies to the situations where the lessee measures the right-of-use assets at revalued amounts applying HKAS 16.

HKFRS 13.93(b), 72-90

[166] For recurring and non-recurring fair value measurements, entities are required to disclose the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique for that particular asset or liability as follows:

- Level 1 valuations: these are valuations which use only Level 1 inputs i.e. these use unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: these are valuations that use Level 2 inputs i.e. observable inputs which fail to meet Level 1 (e.g. because the observable inputs are for similar, but not identical assets or liabilities) and do not use significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: these are valuations which cannot be classified as Level 1 or Level 2. This means that the valuation is estimated using significant unobservable inputs.

In some cases, the inputs used to measure the fair value might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (Note: Level 1 is considered as the highest, Level 3 is the lowest). This means that if the valuation technique uses significant unobservable inputs, then the fair value of that asset or liability should be classified as a "Level 3" valuation.

HKFRS 13.94

[167] For recurring and non-recurring fair value measurements, entities are required to disclose, for each class of assets and liabilities, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. As stated in paragraph 94 of HKFRS 13, "class" is determined based on the nature, characteristics and risks of the asset or liability; and the level of the fair value hierarchy within which the fair value measurement is categorised. When another HKFRS Accounting Standard specifies the class for an asset or a liability, entities may use that class in providing the disclosures required by HKFRS 13, if that class meets the requirements in paragraph 94 of HKFRS 13. In this illustration, so far as the fair value disclosures for properties are concerned, HK Listco has taken into account the location and the type of property when identifying separate classes for the purpose of HKFRS 13.

As stated in paragraph 94 of HKFRS 13, the number of classes may need to be greater for Level 3 fair value measurements as they have a greater degree of uncertainty and subjectivity.

HKFRS 13.93(c), (e)(iv)

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2024: nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.[168]

HKAS 16.77
HKAS 40.75(a), (e)
HKFRS 13.93(g)

All of the group's investment properties and properties held for own use were revalued as at 31 December 2025[169]. The valuations were carried out by an independent firm of surveyors, Lang and Associates, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued[170]. The group's property manager and the chief financial officer hold discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date[171].

HKFRS 13.93(d)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements[172]

The fair value of investment properties and properties held for own use located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

HKFRS 13.93(d)

(iii) Information about Level 3 fair value measurements[172]

	Valuation techniques	**Unobservable input**	**Range[173]**	**Weighted average[173]**
Investment properties Residential – Chinese Mainland	Discounted cash flow	Risk-adjusted discount rate	[●]% to [●]% (2024: [●]% to [●]%)	[●]% (2024: [●]%)
		Expected market rental growth	[●]% to [●]% (2024: [●]% to [●]%)	[●]% (2024: [●]%)
		Expected occupancy rate	[●]% to [●]% (2024: [●]% to [●]%)	[●]% (2024: [●]%)
Properties held for own use Freehold land and buildings – South East Asia	Market comparison approach	Premium (discount) on quality of the buildings	-[●]% to [●]% (2024: -[●]% to [●]%)	[●]% (2024: [●]%)

HKFRS 13.93(h)(i)

The fair value of investment properties located in Chinese Mainland is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rates[174].

HKFRS 13.93(c), 93(e)(iv) & 95

168 Entities are required to disclose the following in respect of recurring fair value measurements:

- the amounts of any transfers between levels of the fair value hierarchy;
- the reasons for those transfers; and
- the policy for determining when transfers between levels are deemed to have occurred (e.g. occurred at the date of the event or change in circumstances that caused the transfer, deemed to have occurred at the beginning of the reporting period, or at the end of the reporting period).

Transfers into and out of the levels should be separately disclosed and discussed.

HKFRS 13.27-29, 93(i)

169 Under HKFRS 13, fair value measurement 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. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. If it is determined that the highest and best use of a non-financial asset differs from its current use, the entity is required to disclose this fact and why the non-financial asset is being used in a manner that differs from its highest and best use. This disclosure requirement applies to both recurring and non-recurring fair value measurements.

The fair value of properties held for own use located in South East Asia is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the group's buildings compared to the recent sales. Higher premiums for higher quality buildings will result in a higher fair value measurement.

HKFRS 13.93(e), (f)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:[175]

	2025	2024
	$'000	$'000
Investment properties – Residential – Chinese Mainland:		
At 1 January	**26,500**	24,310
Fair value adjustment	**5,500**	2,190
At 31 December	**32,000**	26,500

Fair value adjustment of investment properties is recognised in the line item "net valuation gain on investment property" on the face of the consolidated statement of profit or loss.

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

	2025	2024
	$'000	$'000
Properties held for own use – Freehold land and buildings – South East Asia		
At 1 January	**30,059**	28,013
Additions	**505**	1,080
Exchange adjustment	**(1,171)**	236
Depreciation charge for the year	**(1,020)**	(745)
Surplus on revaluation	**5,627**	1,475
At 31 December	**34,000**	30,059

Surplus on revaluation and exchange adjustment of properties held for own use are recognised in other comprehensive income in "property revaluation reserve" and "exchange reserve", respectively.

(iv) Depreciated cost of properties held for own use carried at fair value

HKAS 16.77(e)

Had the revalued properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2025	2024
	$'000	$'000
Freehold land and buildings	**22,150**	24,260
Leasehold land and buildings	**58,390**	47,907
	80,540	72,167

HKAS 16.77
HKAS 40.75(e)

170 Entities should disclose the extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, entities disclose this fact. Similarly, entities should disclose whether an independent valuer was involved in the revaluation of property, plant and equipment.

HKFRS 13.93(g), IE65

171 For fair value measurements categorised in Level 3 of the fair value hierarchy, entities should provide a description of the valuation processes used. IE65 of HKFRS 13 gives examples of information that the entity might disclose in respect of the valuation processes in order to comply with this requirement.

HKFRS 13.93(d)

172 Entities are required to disclose, for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. For fair value measurements categorised within Level 3, information about the significant unobservable inputs used has to be quantitative.

If there has been a change in valuation technique, entities should disclose this fact and the reason(s) for making the change.

173 HKFRS 13 does not specify how to summarise the quantitative information about the significant unobservable inputs used for each class of assets or liabilities carried at Level 3 valuations (e.g. whether to disclose the range of values or a weighted average for each significant unobservable input used). Entities should consider the level of detail that is necessary to meet the disclosure objectives. For example, if the range of values for a significant unobservable input used is wide, then the entity may need to disclose both the range and the weighted average of the values in order to provide information about how the inputs are dispersed around that average and distributed within that range.

HKFRS 13.93(h)(i)

174 For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, entities should give a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. This narrative description should include, at a minimum, the unobservable inputs that have been disclosed under paragraph 93(d) of HKFRS 13.

If there are interrelationships between those inputs, a description of those interrelationships and how they might magnify or mitigate the effect of changes should be disclosed.

HKFRS 13.93(e), 93(f)

175 For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, entities should provide a reconciliation from the opening balances to the closing balances. This reconciliation should separately disclose the changes during the period attributable to:

- total gains or losses (i.e. realised and unrealised) for the period recognised in profit or loss, and the line item(s) in profit or loss in which they are recognised;
- total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which they are recognised;
- purchases, sales, issues and settlements (each of these types of changes disclosed separately); and
- the amounts of any transfers into or out of Level 3 of the fair value hierarchy.

Separate disclosure should be made for changes in unrealised gains or losses included in profit or loss relating to assets and liabilities held at the end of the reporting period and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.

HKFRS 16.52

(c) Right-of-use assets

HKFRS 16.53(j), 59(a)

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

	Notes	**2025**	2024
		$'000	$'000
Ownership interests in leasehold land and buildings held for own use, carried at fair value in Hong Kong, with remaining lease term[176] of:	(i)		
- 50 years or more		**65,610**	48,740
- between 10 and 50 years		**21,940**	8,908
		87,550	57,648
Other properties leased for own use, carried at depreciated cost	(ii)	**45,411**	43,687
Plant, machinery and equipment, carried at depreciated cost	(iii)	**23,472**	24,727
		156,433	126,062
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term[176] of:			
- 50 years or more		**52,950**	40,190
- between 10 and 50 years		**32,000**	26,500
		84,950	66,690
		241,383	192,752

[176] For the purposes of meeting the disclosure requirements of paragraph 59(a) of HKFRS 16, a lessee is required to provide information that helps users of financial statements to assess the nature of the lessee's leasing activities. In this regard, it would be informative to analyse the carrying value of significant ownership interests in leasehold land and buildings by indicating the remaining lease term as illustrated here.

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

		2025	2024
		$'000	$'000
HKFRS 16.53(a)	Depreciation charge of right-of-use assets by class of underlying asset:		
	Ownership interests in leasehold land and buildings	**1,629**	1,192
	Other properties leased for own use	**12,811**	9,737
	Plant, machinery and equipment	**6,150**	5,204
		20,590	16,133
HKFRS 16.53(b)	Interest on lease liabilities (note 5(a))	**4,587**	3,967
HKFRS 16.53(c)	Expense relating to short-term leases[177]	**1,050**	850
HKFRS 16.53(d)	Expense relating to leases of low-value assets, excluding short-term leases of low-value assets[177]	**3,300**	2,700
HKFRS 16.53(e)	Variable lease payments not included in the measurement of lease liabilities	**1,560**	1,760

HKFRS 16.53(h) During the year, additions to right-of-use assets were $29,298,000 (2024: 25,082,000). This amount included the purchase of a leasehold property of $9,868,000 (2024: 6,847,000), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

HKFRS 16.52 Details of land leases included in the carrying amount of inventories, total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 19(b), 22(d), 33(b) and 34, respectively.

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

HKFRS 16.59(a) The group holds several industrial buildings for its electronics business, where its manufacturing facilities are primarily located. The group is the registered owner of these property interests, including the whole or part of an undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

HKFRS 16.53(c)&(d) [177] If the lessee has elected to apply the recognition exemption in paragraphs 5 and 6 of HKFRS 16, the expenses relating to short-term leases (which need not include the expense relating to leases with a lease term of one month or less) and the expense relating to leases of low-value assets (which shall not include the expense relating to the short-term leases of low-value assets) shall be disclosed.

(ii) Other properties leased for own use

HKFRS 16.59(a)

The group has obtained the right to use other properties as its warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of [●] to [●] years. Lease payments are usually increased every [●] years to reflect market rentals.

HKFRS 16.59(b)(ii), B50

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the group seeks to include such extension options exercisable by the group to provide operational flexibility. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:[178]

	Lease liabilities recognised (discounted)		**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**	
	2025	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000
Warehouses – Hong Kong	**7,186**	7,929	**3,000**	1,400
Retail stores – Hong Kong	**4,535**	6,606	**4,800**	4,800

HKFRS 16.59(b)(i), B49

The group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the group operates. The amount of fixed and variable lease payments for the year is summarised below:[178]

HKFRS 16.59 & B48-B52

178 In addition to the quantitative disclosure as required by paragraphs 53 to 58 of HKFRS 16, paragraph 59 of HKFRS 16 requires a lessee to disclose additional qualitative and quantitative information about its leasing activities necessary to give a basis for users to assess the effect on the financial statements. In determining whether additional information about leasing activities is necessary, paragraph B48 of HKFRS 16 states that the information is likely to be relevant if it helps users of financial statements to understand:

- the flexibility provided by leases (for example, if the entity can reduce its exposure by exercising termination options or renewing leases with favourable terms and conditions);
- restrictions imposed by leases (for example, if the lessee requires the entity to maintain particular financial ratio);
- sensitivity of reported information to key variables (for example, if lease payments are linked to sales or usage volume or other variables);
- exposure to other risks arising from leases (for example, residual value risk); and
- deviations from industry practice (for example, unusual lease terms and conditions that affect a lessee's lease portfolio, or sale and leaseback transactions).

Paragraph 59 of HKFRS 16 provides examples of information that the entity should consider disclosing, including variable lease payments, extension and termination options, residual value guarantees and sale and leaseback transactions. Paragraphs B49 to B52 of HKFRS 16 expands to give further examples of additional information in respect of these items. In this illustration, HK Listco determines that the information about flexibility provided by the extension options and the variability of turnover rent are relevant to users of financial statements and are not available elsewhere in this illustrative annual report. Entities should use their judgement to determine what additional information is relevant in view of their circumstances and therefore requires disclosure.

In addition, the information about the nature of rent concessions (e.g. one-off rent reductions, rent waivers or deferrals of lease payments), if material, would be relevant to users of financial statements.

	2025		
	Fixed payments $'000	**Variable payments $'000**	**Total payments $'000**
Retail stores – Hong Kong	2,400	1,560	3,960

	2024		
	Fixed payments $'000	**Variable payments** $'000	**Total payments** $'000
Retail stores – Hong Kong	2,400	1,380	3,780

At 31 December 2025, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by $198,000 (2024: $208,000).

(iii) Other leases

HKFRS 16.59(a), (b)

The group leases production plant, machinery and office equipment under leases expiring from [●] to [●] years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

HKFRS 16.92

(d) Investment property

The group leases out investment property under operating leases. The leases typically run for an initial period of [●] to [●] years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every [●] years to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

HKFRS 16.97

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the group in future periods as follows[179]:

	2025	2024
	$'000	$'000
Within 1 year	**9,780**	7,600
After 1 year but within 2 years	**8,360**	6,280
After 2 years but within 3 years	**8,360**	6,280
After 3 years but within 4 years	**6,800**	6,280
After 4 years but within 5 years	**6,800**	4,720
After 5 years	**10,250**	7,970
	50,350	39,130

HKFRS 16.94 & 97

179 Paragraphs 94 and 97 of HKFRS 16 requires an entity to disclose the maturity analysis of undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years following the reporting date and a total of the amounts for the remaining years.

HKAS 1.113

The above disclosure could alternatively be presented together with information about revenue from remaining performance obligations as required by paragraph 120 of HKFRS 15 as both disclosures relate to revenue under contracts existing as at the end of the reporting period that is expected to be recognised in the future. In HK Listco's financial statements, this disclosure may be found in note 3(a).

HKFRS 16.92, 95

(e) Machinery leased out under operating leases

	$'000
Cost:	
At 1 January 2024, 31 December 2024 and 31 December 2025	**2,100**
Accumulated depreciation:	
At 1 January 2024	210
Charge for the year	210
At 31 December 2024	420
At 1 January 2025	420
Charge for the year	210
At 31 December 2025	**630**
Net book value:	
At 31 December 2025	**1,470**
At 31 December 2024	1,680

HKFRS 16.97

The group leases out a number of items of machinery under operating leases. The leases typically run for an initial period of [●] to [●] years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the group in future periods are $450,000 per annum in the next two years (2024: $450,000 per annum in the next three years). Where practicable, the group obtains residual value guarantees from the lessee to reduce the residual asset risk.[180]

HKAS 16.79(a)

(f) Temporarily idle property, plant and equipment

At 31 December 2025, plant and equipment with a carrying amount of $12,450,000 were temporarily idle because of a suspension of a production line. The group plans to introduce new products and operate the assets in 2026.

HKAS 8.39, 16.76

(g) Change in estimate

In order to reduce its greenhouse gas emissions, in September 2025 the group entered into a contract to purchase new packaging machines to replace existing ones. The new package machines will be delivered to the group in March 2026 according to the contract term. As a result of this planned replacement the group revised the estimated useful life of the existing packing machines and reduced the remaining useful life from twelve months to six months from September 2025. This change in estimate leads to an increase in depreciation expense of $1,200,000 in 2025 and a decrease of $1,200,000 in 2026.

HKFRS 16.92(a)&(b) 180 Paragraph 92 of HKFRS 16 requires a lessor to disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89 of HKFRS 16 - disclosing information that gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor. In particular, it requires additional information about how the lessor manages the risk associated with any rights it retains in underlying assets. A lessor needs to disclose its risk management strategy for the rights it retains in underlying asset, including any means by which it reduces that risk (e.g. buy-back agreements, residual value guarantees and variable lease payments).

12 INTANGIBLE ASSETS[156]

HKAS 38.118(c)&(e)

	Development costs $'000	Patents and trademarks $'000	Total $'000
Cost:			
At 1 January 2024	-	15,000	15,000
Addition through internal development	2,400	-	2,400
At 31 December 2024	2,400	15,000	17,400
At 1 January 2025	2,400	15,000	17,400
Addition through internal development	1,500	-	1,500
Addition through acquisition of subsidiary	-	2,000	2,000
At 31 December 2025	**3,900**	**17,000**	**20,900**
Accumulated amortisation:			
At 1 January 2024	-	1,500	1,500
Charge for the year	-	1,500	1,500
At 31 December 2024	-	3,000	3,000
At 1 January 2025	-	3,000	3,000
Charge for the year	780	1,900	2,680
At 31 December 2025	**780**	**4,900**	**5,680**
Net book value:			
At 31 December 2025	**3,120**	**12,100**	**15,220**
At 31 December 2024	2,400	12,000	14,400

HKAS 38.118(d)

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss[84].

[*Paragraphs 126 to 132 of HKAS 36 contain detailed disclosure requirements that apply whenever an entity recognises an impairment loss or a reversal of an impairment loss. If an impairment loss has been recognised or reversed, care should be taken to comply with these requirements, (and paragraphs 134 and 135 of HKAS 36 for intangible assets with indefinite useful lives[185]), including disclosing key assumptions . It may be helpful to the reader to include sensitivity analysis for any particularly judgemental assumptions which may be subject to change in an uncertain future.*][183]

Acquisition of subsidiary

On 15 January 2025, the group entered into a sale and purchase agreement to acquire 100% equity interest in Best Solutions Limited at a total consideration of $2,000,000 (note 22(e)). The principal activity of Best Solutions Limited is to design integrated lighting control solutions, and its identifiable assets are mainly patents and trademarks. The transaction was completed in March 2025 and recognised as an acquisition of assets, rather than a business combination, given that substantially all of the fair value of the gross assets is concentrated in a group of similar identifiable assets (the patents and trademarks). Further details of the net assets acquired are set out in note 22(e).

CP

Impairment test for cash-generating units containing development costs[181]

In the second half of 2025, the electronics market in Malaysia intensified with the entry of a global industry leader, and as a result the group's operating profits in Malaysia were significantly lower than originally budgeted. The group assessed the recoverable amounts of the assets comprising the CGU in relation to its Malaysia electronics operations, which included the capitalised development costs.

The recoverable amount of the CGU that included the development costs is determined based on value-in-use calculation. The group engaged an independent professional valuer to assist with the calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2025
Annual revenue growth rate during the forecast period	**[●]%**
Gross profit margin	**[●]%**
Growth rate beyond the forecast period (note (i))	**[●]%**
Pre-tax discount rate	**[●]%**

(i) Cash flows beyond the five-year period have been extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports.

As at 31 December 2025, the recoverable amount of the CGU was $[●], which was higher than its carrying amount by $[●]. The group considers that reasonably possible change in the key assumptions above would not cause the CGU's carrying amount at 31 December 2025 to exceed its recoverable amount.

HKAS 1.125, 129

181 Impairment assessment typically involves estimation uncertainties and entities should consider paragraphs 125 and 129 of HKAS 1 in addition to the requirements in HKAS 36 to determine the extent of disclosures needed, including whether a sensitivity analysis is needed. Paragraph 125 of HKAS 1 requires disclosure of information about the assumptions an entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Sensitivity analysis is one of the example type of disclosures provided in paragraph 129 of HKAS 1.

CP

In any event, if impairment assessments have been performed for material intangible assets, regardless of whether an impairment loss has been recognised, the SEHK recommends listed issuers to provide, in addition to the disclosures required by HKFRS Accounting Standards, the following additional information in the MD&A and financial statements (where appropriate) to help investors understand better those impairment assessments:

(a) additional quantitative data of key assumptions (other than discount rate and terminal growth rate, e.g. gross and net margins), comparative information in the previous year and the explanation of significant changes of assumptions;
(b) a negative statement indicating that reasonably possible change in the key assumptions on which the management had based its determination of the CGU's recoverable amount would not cause an impairment loss;
(c) the recoverable amount of the CGU and the headroom available;
(d) highlight whether the impairment assessment is based on a valuation by an independent professional valuer; and
(e) details of further development of the CGU or segment, such as business plan and contracts with new customers in the coming year and their impact on the revenue and margins.

SEHK's recommendations can be found in its Guide on Preparation of Annual Report.

13 GOODWILL[156]

		$'000
	Cost:	
HKFRS 3.B67(d)(i)	**At 1 January 2024, 31 December 2024 and 31 December 2025**	**1,100**
	Accumulated impairment losses:	
HKFRS 3.B67(d)(i)	At 1 January 2024, 31 December 2024 and 1 January 2025	-
HKFRS 3.B67(d)(v)	Impairment loss	184
HKFRS 3.B67(d)(viii)	**At 31 December 2025**	**184**
	Carrying amount:	
	At 31 December 2025	**916**
	At 31 December 2024	1,100

Impairment tests for cash-generating units containing goodwill[183]

Goodwill is allocated to the group's CGUs identified according to country of operation and operating segment as follows:

HKAS 36.134(a)

	2025 $'000	2024 $'000
Electronics - Hong Kong	**866**	1,050
Multiple units without significant goodwill[182]	**50**	50
	916	1,100

HKAS 36.135 — 182 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple CGUs (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units).

In addition, if this aggregate amount is itself significant in comparison with the total goodwill or intangible assets with indefinite useful lives then further disclosure may be required, in respect of that aggregate amount. These requirements are set out in paragraph 135 of HKAS 36 and apply where:

- some or all of the individually insignificant amount of goodwill or intangible assets with indefinite useful lives within that aggregate share the same key assumptions; and
- the aggregate of that subset is significant compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

Electronics - Hong Kong[183,184]

HKAS 36.134(c) & (d)

The recoverable amount of the CGU is determined based on value-in-use calculations. The group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2025	2024
Annual revenue growth rate during the forecast period (note (i)):	**[●]%**	[●]%
Gross profit margin	**[●]%**	[●]%
Growth rate beyond the forecast period (note (ii))	**[●]%**	[●]%
Pre-tax discount rate	**[●]%**	[●]%

(i) The significant decrease in revenue growth rate is due to the termination of relationship with one of the group's major customers in the fourth quarter of 2025.

(ii) Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports and generally in line with 2024.

HKAS 36.126(a), 130(a) & (e) & 134(f)

The impairment loss of $184,000 recognised in "Other operating expenses"[160] during the year solely relates to the group's electronic manufacturing activities based in Hong Kong. As the CGU has been reduced to its recoverable amount of $1,716,501,000[159], any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

[*Paragraphs 126 to 132 of HKAS 36 contain detailed disclosure requirements that apply whenever an entity recognises an impairment loss for goodwill. In addition, paragraphs 134 and 135 of HKAS 36 contain specific disclosure requirements which apply to estimates used to measure recoverable amounts of CGUs containing goodwill or intangible assets with indefinite useful lives. Care should be taken to comply with these requirements, including a description of management's approach to determining the values assigned to the key assumptions and the information about the sensitivity of recoverable amount to changes in those key assumptions.*]

D2(32), CP

[183] In addition to the discussion in footnote 181, paragraph 32 of Appendix D2 to the MBLRs requires a listed issuer to include in its annual report a discussion and analysis of, among others, material factors underlying its financial results and position and significant events during the year. Where a listed issuer recorded a material impairment on its assets, it should discuss the circumstances that led to impairment. Where the impairment is supported by a valuation, the SEHK recommends disclosure of information about the basis of the valuation, including:

(a) details of the value of inputs used for the valuation together with the bases and assumptions;
(b) reasons for any significant changes in the value of the inputs and assumptions from those previously adopted;
(c) the valuation method and reasons for using that method; and
(d) an explanation of any subsequent changes to the valuation method adopted.

HKAS 36.134

[184] Paragraph 134 of HKAS 36 sets out disclosure requirements which are applicable to each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with an entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The specific disclosures depend on whether the recoverable amount of the CGU is based on value in use or fair value less costs of disposal:

- If the recoverable amount is based on value in use (as is the case for HK Listco), entities need to provide the disclosures regarding cash flow projections used to calculate value in use under paragraph 134(d) of HKAS 36.
- If the recoverable amount is based on fair value less costs of disposal, then entities need to disclose information about the valuation technique used to measure fair value less costs of disposal under paragraph 134(e) of HKAS 36. If fair value less costs of disposal is not measured using a quoted price for an identical unit, as would generally be the case, entities need to provide the extra information required by paragraphs 134(e)(i)-(iiB) of HKAS 36.

HKAS 36.134(f) [185] For each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with an entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, disclosure of the following information is required if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:

- the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;
- the value assigned to the key assumption; and
- the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

HKFRS 12.1&3&C2B [186] HKFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in other entities; and
- the effects of those interests on its financial position, financial performance and cash flows.

The standard contains extensive disclosure requirements in respect of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Paragraph 3 of HKFRS 12 requires that, if the disclosures required by this standard, together with disclosures required by other HKFRS Accounting Standards, do not meet the above disclosure objective, the entity should disclose additional information necessary to meet the objective.

HKFRS 12.5A, B17 The disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with HKFRS 5.

D2(9)(2), CP [187] Paragraph 9(2) of Appendix D2 to the MBLRs requires listed issuers to disclose particulars of the issued share capital and debt securities of every subsidiary. In this illustration, HK Listco discloses additional information about the amount of registered capital being paid up when it has not been fully paid.

In accordance with Note 9.2 to paragraph 9 of Appendix D2, if a listed issuer has an excessive number of subsidiaries, the statement need only include details for subsidiaries which, in the opinion of the directors, materially contribute to the net income of the group or hold a material portion of the assets or liabilities of the group.

D2(9)(1) [188] Paragraph 9(1) of Appendix D2 to the MBLRs requires the disclosure of the subsidiary's principal country of operation and country of incorporation or other establishment. Where the subsidiary is established in Chinese Mainland, disclosure of the type of legal entity it is registered as under applicable law (such as a contractual or cooperative joint venture) is also required.

In this illustration, it is assumed that the principal place of operation and the place of incorporation of HK Listco's subsidiaries are the same. If the principal place of operation and the place of incorporation of the subsidiaries are different, the information should be disclosed separately.

CP [189] Although not required, the proportion of voting power held is also commonly shown if different from the proportion of ownership interest.

14 INVESTMENTS IN SUBSIDIARIES[140, 186]

HKFRS 12.10
HKAS 24.13
D2(9)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.[187]

Name of company	Place of incorporation and business[188]	Particulars of issued and paid up capital and debt securities / registered capital[187]	Proportion of ownership interest: Group's effective interest 2025	Group's effective interest 2024	Held by the company 2025	Held by the company 2024	Held by a subsidiary[189] 2025	Held by a subsidiary[189] 2024	Principal activity
ABC Electronics Limited	Hong Kong	10,000,000 shares	**100%**	100%	**100%**	100%	**-**	-	Manufacture of electronic products
BB Trading Limited	Hong Kong	1,000,000 shares	**67.5%**	67.5%	**-**	-	**67.5%**	67.5%	Wholesaling and retailing of electronic products
#Best Property Company Limited	Chinese Mainland	##RMB 10,000,000	**100%**	100%	**-**	-	**100%**	100%	Property investment
Best Solutions Limited	Hong Kong	100,000 shares	**100%**	100%	**100%**	100%	**-**	-	Design of electronic systems
Bright Light Limited	Hong Kong	2,000,000 shares	**100%**	100%	**100%**	100%	**-**	-	Construction and trading
Bright Property Limited	Hong Kong	5,000,000 shares	**100%**	100%	**100%**	100%	**-**	-	Property investment
Brilliant Property Limited	Hong Kong	1,000,000 shares	**100%**	100%	**100%**	100%	**-**	-	Property development
Future Trading Limited	Hong Kong	2,000,000 shares	**100%**	100%	**100%**	100%	**-**	-	Investment holding
Smart Electronics Limited	Singapore	2,000,000 shares of S$ 1 each	**100%**	100%	**100%**	100%	**-**	-	Manufacture of electronic products
*P.J. Enterprise Limited	USA	500,000 shares of US$ 1 each	**100%**	100%	**100%**	100%	**-**	-	Marketing of electronic products
*Solid Trading Inc	USA	500,000 shares of US$ 1 each	**90%**	90%	**-**	-	**90%**	90%	Wholesaling and retailing of electronic products
Wilson Industries Sdn Bhd	Malaysia	2,000 shares of MYR 1 each	**70%**	70%	**70%**	70%	**-**	-	Manufacture of electronic products

PNote 600.1(22)&(24)

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately [●]% and [●]% respectively of the related consolidated totals.

D2(9)(1)

\# Wholly-owned foreign enterprise in Chinese Mainland[188]

CP

\## Out of RMB 10,000,000 registered capital, RMB 8,000,000 is paid up.

HKFRS 12.12
HKFRS 12.B10, B11

The following table lists out the information relating to BB Trading Limited, the only subsidiary of the group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination[190].

	2025	2024
	$'000	$'000
NCI percentage	**32.5%**	32.5%
Current assets	**192,688**	167,121
Non-current assets	**88,039**	76,462
Current liabilities	**(30,680)**	(25,384)
Non-current liabilities	**(9,574)**	(8,173)
Net assets	**240,473**	210,026
Carrying amount of NCI	**78,154**	68,258
Revenue	**370,575**	360,338
Profit for the year	**30,446**	29,720
Total comprehensive income	**30,446**	29,720
Profit allocated to NCI	**9,895**	9,659
Dividend paid to NCI	**-**	-
Cash flows from operating activities	**26,110**	21,959
Cash flows from investing activities	**(4,937)**	(3,341)
Cash flows from financing activities	**(2,963)**	(3,614)

HKFRS 12.12, B10-B11

[190] In order to help users to understand the interest that non-controlling interests have in the group's activities and cash flows, HKFRS 12 requires an entity to disclose the following information for each of its subsidiaries that has non-controlling interests material to the reporting entity:

(a) the name of the subsidiary;
(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary;
(c) the proportion of ownership interests held by non-controlling interests;
(d) the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held;
(e) the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period;
(f) accumulated non-controlling interests of the subsidiary at the end of the reporting period; and
(g) summarised financial information about the subsidiary, including:
- dividends paid to non-controlling interests;
- summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary that enables users to understand the interest that non-controlling interests have in the group's activities and cash flows. That information might include but is not limited to:
  - current assets
  - non-current assets
  - current liabilities
  - non-current liabilities
  - revenue
  - profit or loss
  - total comprehensive income

The amounts disclosed should be before inter-company eliminations.

15 INTERESTS IN ASSOCIATES[140, 186, 191]

HKFRS 12.21

The following list contains only the particulars of material associates[191], all of which are unlisted corporate entities whose quoted market price is not available[192]:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest		Held by the company		Held by a subsidiary		Principal activity
				2025	2024	**2025**	2024	**2025**	2024	
Prospect Construction Sdn Bhd	Incorporated	Malaysia	1,000 ordinary shares of MYR 1 each	**36%**	36%	**-**	-	**36%**	36%	Construction (Note 1)
MT Trading Limited	Incorporated	Hong Kong	100,000 ordinary shares	**25%**	25%	**-**	-	**25%**	25%	Trading of electronic products (Note 2)

HKFRS 12.21(a)(ii)

Note 1: The investment in Prospect Construction Sdn Bhd, a major property constructor in the Malaysia market, enables the group to have exposure to this market through local expertise.

Note 2: MT Trading Limited operates in Hong Kong and is a strategic partner for the group in expanding sales to the education sector where MT Trading has an established customer base.

HKFRS 12.21(b)(i)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

HKFRS 12.21(a)

191 Under paragraph 21 of HKFRS 12, an entity needs to disclose the following information for each of its material joint arrangement and associate:

- the name of the joint arrangement or associate;
- the nature of the entity's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities);
- the principal place of business (and country of incorporation, if applicable and different from the principal place of business) of the joint arrangement or associate; and
- the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).

HKFRS 12.21(b)(iii)

192 For each material joint venture and associate accounted for using the equity method, an entity should disclose the fair value of the investment in the joint venture or associate, if there is a quoted market price for the investment.

HKFRS 12.21(b)(ii) & B12 & B14

193 For each material joint venture and associate, an entity should disclose the following information about the joint venture or associate:

- dividends received from the joint venture or associate; and
- summarised financial information of the joint venture or associate including, but not necessarily limited to:
  - current assets
  - non-current assets
  - current liabilities
  - non-current liabilities
  - revenue
  - profit or loss from continuing operations
  - post-tax profit or loss from discontinued operations
  - other comprehensive income
  - total comprehensive income

The summarised financial information presented should be 100% of the amounts included in the financial statements under HKFRS Accounting Standards (IFRS Accounting Standards) of the joint venture or associate, and not the entity's share of those amounts.

HKFRS 12.21(b)(ii)
HKFRS 12.B12, B14

Summarised financial information of the material associates, adjusted for any differences in accounting policies[193], and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:[194]

	Prospect Construction Sdn Bhd		**MT Trading Limited**	
	2025	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000
Gross amounts of the associates'				
Current assets	**24,687**	20,082	**76,875**	75,222
Non-current assets	**50,104**	42,766	**91,966**	70,741
Current liabilities	**(23,561)**	(20,981)	**(40,875)**	(48,263)
Non-current liabilities	**(14,340)**	(15,262)	**(29,366)**	(26,792)
Equity	**36,890**	26,605	**98,600**	70,908
Revenue	**102,659**	102,111	**138,276**	166,868
Profit from continuing operations	**17,700**	17,425	**28,200**	24,050
Post-tax profit or loss from discontinued operations	**-**	-	**-**	-
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**17,700**	17,425	**28,200**	24,050
Dividend received from the associate	**-**	-	**3,000**	-
Reconciled to the group's interests in the associates				
Gross amounts of net assets of the associate	**36,890**	26,605	**98,600**	70,908
Group's effective interest	**36%**	36%	**25%**	25%
Group's share of net assets of the associate	**13,280**	9,578	**24,650**	17,727
Goodwill	**900**	900	**-**	-
Carrying amount in the consolidated financial statements	**14,180**	10,478	**24,650**	17,727

HKFRS 12.21(c)

Aggregate information of associates that are not individually material:[195]

	2025	2024
	$'000	$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements (HKFRS 12.B16)	**1,478**	1,273
Aggregate amounts of the group's share of those associates'		
Profit from continuing operations	**408**	360
Post-tax profit or loss from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**408**	360

HKFRS 12.B14(b)

194 For each material joint venture and associate, a reconciliation of the summarised financial information presented to the carrying amount of the entity's interest in the joint venture or associate is required.

HKFRS 12.21(c) & B16

195 An entity should disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures or associates that are accounted for using the equity method. An entity should also disclose separately the aggregate amount of its share of those joint ventures' or associates':

- profit or loss from continuing operations;
- post-tax profit or loss from discontinued operations;
- other comprehensive income; and
- total comprehensive income.

The above disclosures should be provided separately for (i) immaterial joint ventures and (ii) immaterial associates.

16 INTEREST IN JOINT VENTURE[140, 186, 191]

HKFRS 12.21

Details of the group's interest in the joint venture[191], which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest						Principal activity
				Group's effective interest		Held by the company		Held by a subsidiary		
				2025	2024	**2025**	2024	**2025**	2024	
Sun Co Ltd	Incorporated	Chinese Mainland	Registered capital RMB 2,000,000	**50%**	50%	**-**	-	**50%**	50%	Construction (Note 1)

HKFRS 12.21(a)(ii)

Note 1: Sun Co Ltd was established by the company with a major property constructor in Chinese Mainland, the other investor to this joint venture, to carry out the group's construction activity in Chinese Mainland. Sun Co Ltd is mainly engaged in the construction of residential buildings.

HKFRS 12.21(b)(iii)

Sun Co Ltd, the only joint venture in which the group participates, is an unlisted corporate entity whose quoted market price is not available[192].

HKFRS 12.21(b)(ii)

Summarised financial information of Sun Co Ltd, adjusted for any differences in accounting policies[193], and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below[194]:

		2025 $'000	2024 $'000
	Gross amounts of Sun Co Ltd's		
HKFRS 12.B12	Current assets	**25,136**	14,826
	Non-current assets	**110,750**	96,500
	Current liabilities	**(37,820)**	(37,350)
	Non-current liabilities	**(96,136)**	(72,386)
	Equity	**1,930**	1,590
HKFRS 12.B13	Included in the above assets and liabilities[196]:		
	Cash and cash equivalents	**12,856**	11,950
	Current financial liabilities (excluding trade and other payables and provisions)	**(11,350)**	(11,750)
	Non-current financial liabilities (excluding trade and other payables and provisions)	**(95,250)**	(74,850)
HKFRS 12.B12	Revenue	**747,858**	627,538
	Profit from continuing operations	**21,340**	20,270
	Post-tax profit or loss from discontinued operations	**-**	-
	Other comprehensive income	**-**	-
	Total comprehensive income	**21,340**	20,270
	Dividend received from Sun Co Ltd	**-**	-
HKFRS 12.B13	Included in the above profit: [196]		
	Depreciation and amortisation	**(14,556)**	(12,335)
	Interest income	**1,160**	1,110
	Interest expense	**(1,270)**	(1,160)
	Income tax expense	**(7,168)**	(6,890)

		2025	2024
		$'000	$'000
	Reconciled to the group's interest in Sun Co Ltd		
HKFRS 12.B14(b)	Gross amounts of Sun Co Ltd's net assets	**1,930**	1,590
	Group's effective interest	**50%**	50%
	Group's share of Sun Co Ltd's net assets	**965**	795
	Group's share of shareholders' loan (note 2)	**41,800**	31,300
	Carrying amount of the group's interest	**42,765**	32,095

Note 2: In accordance with the terms of the joint venture agreement, both parties to the joint venture have provided loan capital to the joint venture in proportion to their shareholdings and under equal terms. The loans are unsecured, interest free and subordinated to the other financing obtained by the joint venture. Repayment of any amount of the loan capital requires both venturers' approval and is subject to the joint venture having sufficient assets after taking into account the external financing and accumulated profits. Accordingly, the shareholder's loan forms an integral part of the group's equity investment in the joint venture and is recognised as such[197].

HKFRS 12.B13

[196] In addition to the summarised financial information listed out in footnote 193 above, an entity should disclose for each material joint venture the amount of:

- cash and cash equivalents;
- current financial liabilities (excluding trade and other payables and provisions);
- non-current financial liabilities (excluding trade and other payables and provisions);
- depreciation and amortisation;
- interest income;
- interest expense; and
- income tax expense or income.

[197] In this illustration, HK Listco's loan to a thinly capitalised joint venture has been recognised as an integral part of the group's equity interest in the joint venture, even though the joint venture classifies the loan as a liability given the terms and conditions of the arrangement. It therefore falls outside the scope of HKFRS 9 and is included as a reconciling item in the analysis of the group's interest in the joint venture's net assets.

17 Other investments in securities[140, 198, 199]

(a) Equity securities designated at FVOCI

		2025 $'000	2024 $'000
HKFRS 7.8(h), 11A(c)	Investments in unlisted equity securities[200]	**5,040**	4,950

D2(6), D2(32)(4), D2(32)(4A)

[198] Paragraph 32(4) of Appendix D2 to the MBLRs requires the directors of a listed issuer to comment on significant investments held, their performance during the financial year and their future prospects in its annual report. Paragraph 32(4A) of Appendix D2 further requires a breakdown of its significant investments (including any investment in an investee company with a value of 5% or more of the issuer's total assets as at the year end date):

(a) details of each investment, including the name and principal businesses of the underlying company, the number and percentage of shares held and the investment costs;
(b) the fair value of each investment as at the year end date and its size relative to the issuer's total assets;
(c) the performance of each investment during the year, including any realised and unrealised gain or loss and any dividends received; and
(d) a discussion of the issuer's investment strategy for these significant investments.

The financial information may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements.

HKFRS 13.91, 97

[199] HK Listco's financial assets disclosed in note 17 include equity securities (both held-for-trading and not held-for-trading) and units in bond funds which are measured at fair value in the statement of financial position on a recurring basis after initial recognition. Therefore, HKFRS 13 disclosures are required for these financial assets. For other financial assets in note 17 that are not measured at fair value i.e. loans to associates, under paragraph 97 of HKFRS 13 they will be subject to certain HKFRS 13 disclosure requirements if their fair value is disclosed in the financial statements e.g. when the carrying amount of the loans is not a reasonable approximation of their fair value and therefore the fair value is disclosed as required by paragraph 25 of HKFRS 7.

HKFRS 13 does not require all the information provided under the standard to be disclosed in a single note. Therefore, entities may disclose the information in the respective notes of the individual asset or liability subject to HKFRS 13 disclosures or in a single note. In either case, quantitative data should generally be presented in a tabular format (i.e. instead of in a narrative format). In this illustration, HK Listco provides HKFRS 13 disclosures for financial instruments in a single note in note 33(f), and for properties in note 11(b).

HKFRS 9.B5.7.1

[200] The unlisted shares comprise shares in an unlisted entity, and the group has elected to designate all of its shares in this unlisted entity as at FVOCI (non-recycling) as this investment is held for strategic purposes. This election is available on an instrument-by-instrument basis, i.e. it is not an accounting policy that needs to be applied to all similar transactions.

HKFRS 7.11A & 11B

[201] If an entity designates an investment in equity instruments at FVOCI (non-recycling), paragraph 11A of HKFRS 7 requires the following information to be disclosed:

(a) which investments have been designated;
(b) the reason for the designation;
(c) the fair value of each such investment at the end of the reporting period;
(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period; and
(e) any transfer of the cumulative gain or loss within equity during the period including the reason for such transfers. For example, an entity may transfer the amount accumulated in other comprehensive income to another component of equity upon derecognising the equity investments.

HKFRS 7 is not explicit as to what information should be disclosed in respect of item HKFRS 7.11A(a) i.e. whether it is necessary to disclose the investee's name and/or any other information which would identify "which investments" have been designated at FVOCI (non-recycling) in a way that provides useful information to the reader. In this illustration HK Listco has designated an investment in an unlisted company at FVOCI (non-recycling) and has decided to disclose the name of this investee, its place of incorporation and some further information about this company's business, which users of the financial statements may find helpful, especially if there is little or no information publicly available about this company. If an entity has designated a large number of individually insignificant investments at FVOCI (non-recycling), the entity may consider aggregating the information, for example by industry sector, for disclosure purposes.

In addition, if an entity derecognises an equity investment designated at FVOCI (non-recycling) during the reporting period, paragraph 11B of HKFRS 7 requires an entity to disclose the following information:

(a) the reason for disposing of the investments;
(b) the fair value of the investments at the date of derecognition; and
(c) the cumulative gain or loss on disposal.

HKFRS 7.11A

The unlisted equity securities are shares in Bright Top (Asia) Ltd, a company incorporated in Hong Kong and engaged in market research. The group designated its investment in Bright Top (Asia) Ltd at FVOCI (non-recycling), as the investment is held for strategic purposes[201]. No dividends were received on this investment during the year (2024: nil).

(b) Financial assets measured at FVPL

	2025 $'000	2024 $'000
Non-current assets		
Investments not held for trading		
- Equity securities listed in Hong Kong	**7,823**	6,710
- Units in bond funds listed in Hong Kong	**16,466**	15,176
	24,289	21,886
Current assets		
Trading securities		
- Equity securities listed in Hong Kong	**42,800**	44,355
- Equity securities listed outside Hong Kong	**15,531**	13,665
	58,331	58,020

(c) Financial assets measured at amortised cost

	Notes	2025 $'000	2024 $'000
Loans to associates	(i)	**25,343**	15,636
Refundable rental deposits	(ii)	**6,258**	5,960
		31,601	21,596

Notes:

HKFRS 7. 35K

(i) The loans bear interest at HIBOR plus [●]% per annum and will both mature in 2032. The loans are fully secured by properties held by the associates. The group does not have the right to sell or re-pledge the properties held as collateral in the absence of default by the associates.[202]

(ii) Rental deposits are typically paid for leased properties, which are refundable after the expiry of the leases.

HKFRS 7.15 & 38

[202] If the entity is permitted to sell or re-pledge the collateral it has accepted in the absence of default by the owner of the collateral, paragraph 15 of HKFRS 7 requires certain specific disclosure in the financial statements, including the fair value of the collateral accepted and the collateral sold or re-pledged as well as other material terms and conditions associated with the use of this collateral.

In addition, when an entity recognises financial or non-financial assets during the period as a result of taking possession of collateral it accepted as security or calling on other credit enhancements (for example, guarantees), paragraph 38 of HKFRS 7 requires the entity to disclose the nature and carrying amounts of such assets held at the reporting date. If such assets are not readily convertible into cash, further disclosure needs to be provided regarding the entity's policies for disposing of these assets or for using them in its operations.

18 DERIVATIVE FINANCIAL INSTRUMENTS

		2025	2024
		$'000	$'000
	Derivative financial assets		
	- held as cash flow hedging instruments (notes 33(c),(d) & (f)(i))	**2,468**	2,954
HKFRS 7.8(a)	- other derivatives (notes 33(d)(ii) & (f)(i))	**253**	659
		2,721	3,613
	Less: amount included under "current assets"	**(1,828)**	(2,399)
		893	1,214
	Derivative financial liabilities		
	- held as cash flow hedging instruments (notes 33(c),(d) & (f)(i))	**168**	72
HKFRS 7.8(e)	- conversion option embedded in convertible notes (note 33(f)(i))	**172**	171
		340	243
	Less: amount included under "current liabilities"	**(234)**	(200)
		106	43

19 INVENTORIES AND OTHER CONTRACT COSTS

		2025 $'000	2024 $'000
	Inventories		
HKAS 2.36(b)	Electronic products		
	- Raw materials	**41,555**	44,008
	- Work in progress	**33,675**	23,253
	- Finished goods	**43,727**	32,166
	- Goods in transit	**9,658**	3,323
	- Right to recover returned goods	**1,345**	1,125
		129,960	103,875
	Property development		
	- Land held for future development for sale	**12,025**	10,340
	- Property under development for sale	**115,943**	103,344
		127,968	113,684
	Other contract costs[203]	**716**	514
		258,644	218,073

HKAS 2.36(d)

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

		2025 $'000	2024 $'000
	Carrying amount of inventories sold	**774,748**	708,796
HKAS 2.36(e)	Write down of inventories	**12,794**	10,574
HKAS 2.36(f)	Reversal of write-down of inventories	**(1,500)**	-
		786,042	719,370

HKAS 2.36(g) The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain electronic goods as a result of a change in consumer preferences.

HKAS 1.29, 60, 66

[203] HKFRS 15 requires entities to separately recognise contract costs as assets provided that the capitalisation criteria in paragraphs 91 or 95 of HKFRS 15 are met, but does not specify where such assets should be presented in the statement of financial position. Given this, the general HKAS 1 principles should be followed in respect of the current/non-current distinction (paragraph 66 of HKAS 1) and materiality and aggregation (paragraphs 29 to 31 of HKAS 1).

In this illustration, HK Listco has presented the capitalised costs as current assets, aggregated in the same line item as inventories on the face of the statement of financial position, with separate analysis in the notes. The capitalised contract costs satisfy the criteria set out in paragraph 66 of HKAS 1 for classification as a current asset, as HK Listco's capitalised costs relate to the sale of specific properties to be recognised during HK Listco's normal operating cycle. The costs are aggregated with inventories, as in both cases the assets represent costs which are expected to be recognised in future periods in the statement of profit and loss as expenses, as and when revenue from the sale of the related goods or services is recognised. Alternatively, the costs could be presented as a separate line item on the face of the statement of financial position within current assets.

We would expect that in most cases classification as current assets will be appropriate, as in most cases the amounts will be charged to profit or loss during the entity's normal operating cycle. An exception to this approach may be when the amortisation period for the contract costs is an extended period which reflects the timing of goods or services to be transferred under a specific anticipated contract (for example services to be provided over some extended future period after renewal of an existing contract). In those cases, the contract costs may be closer in nature to intangible assets for customer relationships recognised in a business combination and therefore presentation as a non-current asset may be more appropriate, if the amortisation period is expected to extend beyond both 12 months and the entity's normal operating cycle. The classification as current or non-current may therefore in some cases involves judgements based on an entity's facts and circumstances.

HKAS 1.61

The amount of properties for future development and under development expected to be recovered after more than one year is $12,025,000 and $57,853,000 respectively (2024: $10,340,000 and $50,793,000 respectively). All of the other inventories are expected to be recovered within one year[204].

HKFRS 16.53(j), 54, 59(a)

(b) The analysis of carrying value of land[205] held for property development for sale is as follows:

	2025 $'000	2024 $'000
In Hong Kong, with remaining lease term of:		
- 50 years or more	**67,046**	58,177
- between 10 and 50 years	**16,760**	16,760
	83,806	74,937

HKAS 1.61

204 HKAS 1 requires disclosure of the amount expected to be recovered or settled after more than one year, when any balance combines this with amounts expected to be recovered or settled within one year. For the avoidance of doubt, it is also useful to make a specific statement concerning all other balances (i.e. those expected to be fully recovered or settled within one year and those expected to be fully recovered or settled after one year). However, such disclosure is not required under HKAS 1.

HKFRS 16.53(j)& 54

205 Where the entity has included right-of-use assets within inventory on the face of the statement of financial position (as allowed by paragraph 47(a) of HKFRS 16), the lessee shall disclose the amount of these right-of-use assets at the end of the reporting period by class of underlying asset in the notes as required by paragraphs 47(a), 54 and 53(j) of HKFRS 16.

HKFRS 16.59(a)

In addition, a lessee is required to disclose information that helps users of financial statements to assess the nature of the lessee's leasing activities. In this regard, it would be informative to analyse the carrying value of significant ownership interests in leasehold properties by indicating the remaining lease term as illustrated here.

(c) Contract costs

HKFRS 15.128(a), (b)

Contract costs capitalised as at 31 December 2025 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the group's properties which are still under construction at the reporting date[206]. Contract costs are recognised as part of "distribution costs"[207] in the statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was $1,052,000 (2024: $755,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2024: Nil).

HKFRS 15.94, 129

The group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the group otherwise would have recognised is within the same reporting period as the date of entering into the contract.[208]

HKAS 1.61

The amount of capitalised contract costs that is expected to be recovered after more than one year is $527,000 (2024: $378,000). All of the other capitalised contract costs are expected to be recovered within one year[204].

HKFRS 15.128(a)

206 HKFRS 15 requires analysis of the closing balances of capitalised contract costs by main category of cost (e.g. costs to obtain contracts with customers, pre-contract costs and setup cost). In this illustration, HK Listco only has capitalised contract costs in relation to the sales commission paid to the property agents.

HKAS 1.15 & 99

207 Paragraph 99 of HKFRS 15 requires capitalised contract costs to be charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. HKFRS 15 describes this systematic charging as "amortisation". However, in practice, when the capitalised cost relates to a good or service for which revenue is recognised at a single point in time, such as in HK Listco's example of a sales commission on a property sale, the contract cost will be recognised in profit or loss at the same point in time as the property revenue, rather than being spread over a period. Given this, users of the financial statements may find it confusing to see this charge described as "amortisation" and it would be advisable to use other terms which they are more familiar with, such as "charge" or "expense".

Similarly, judgement is required in determining where to classify the expense in the statement of profit or loss. The appropriate classification will generally depend on the nature of the entity and the industry in which it operates. In this illustration, HK Listco presents its expenses by function (see footnote 48) and includes sales commissions in profit or loss as "distribution costs" because this is the function of these expenses, irrespective of whether they are being capitalised and recognised later when related revenue is recognised or expensed as incurred. If an entity chooses to present its expenses by nature (e.g. depreciation and amortisation, purchase of materials, transport costs, employee benefits, etc), then judgement will be required to determine the nature of the expenses arising from the systematic recognition in profit and loss of capitalised contract costs.

In all cases, an entity is subject to the general requirement to ensure that its presentation is not misleading and is relevant to an understanding of its financial statements.

HKFRS 15.129

208 Under the disclosure requirement of paragraph 129 of HKFRS 15, if an entity has taken advantage of the practical expedient in relation to capitalisation of costs of obtaining contracts, it needs to disclose this fact.

As discussed in footnote 98, in this illustration HK Listco does not take full advantage of the practical expedient as HK Listco only applies the practical expedient to costs of obtaining contracts that would be fully amortised in the period they arise if they had been capitalised. HK Listco's disclosure is therefore tailored to suit its facts and circumstances.

If an entity takes full advantage of the practical expedient and therefore only capitalises the costs of obtaining contracts with amortisation period longer than one year, the following example wording could be used to satisfy the disclosure requirement of paragraph 129 of HKFRS 15:

"The group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the asset that the group otherwise would have recognised is one year or less from the initial recognition of the asset."

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

HKFRS 15.116(a)

	2025 $'000	2024[209] $'000
Contract assets[210]		
Arising from performance under construction contracts	**1,478**	14,553
Arising from performance under made-to-order manufacturing arrangements	**9,073**	8,785
	10,551	23,338
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 21(a))[210]	**69,358**	55,287

HKFRS 15.117-118

Typical payment terms which impact on the amount of contract assets recognised are as follows:

- Construction contracts

  The group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. New contract terms introduced in 2025 which a 20% deposit is payable upfront (see note 1(aa)(i)(c)) has resulted in a contract liability at early stages of the projects and a significant decrease in the contract asset balance at any given time thereafter, compared to previous periods[211]. However, the group also typically agrees to a one year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the group's entitlement to this final payment is conditional on the group's work satisfactorily passing inspection[212].

HKFRS 15.116(a) 209 HKFRS 15 requires entities to disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately disclosed or presented.

HKFRS 15.107-108 210 HKFRS 15 makes a distinction between contract assets and receivables based on whether the right to the consideration for the performance completed up to date is unconditional or not. If the right to the consideration is unconditional, then this right should be presented as a receivable. A right to consideration is unconditional if only passage of time is required before payment of that consideration is due. This principle is illustrated in Examples 38 to 40 found in paragraphs IE197 to IE208 in the Illustrative Examples accompanying HKFRS 15. If the right to the consideration is conditional on something other than the passage of time, e.g. an entity's future performance, then such right should be presented as a contract asset.

If an entity has an unconditional right to receive consideration from a customer before it has transferred goods and services, then in addition to recognising a receivable the entity would recognise a contract liability to reflect the entity's outstanding obligation to transfer goods or services. A contract liability would also be recognised, rather than a payable, if the entity has received a non-refundable deposit ahead of transferring goods or services.

HKFRS 15.117 211 HKFRS 15 requires entities to explain how the timing of satisfaction of their performance obligations relates to the typical timing of payment and the effect that those factors have on the contract asset and contract liability balances. Paragraph 117 of HKFRS 15 states that the explanation provided may use qualitative information.

HKFRS 15.118

In addition, entities are required to explain, qualitatively and quantitatively, any significant changes in contract assets and liabilities balances during the period. The following non-exhaustive list of items should be disclosed, if significant:

- changes due to business combinations;
- cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress;
- a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
- impairment of a contract asset;
- a change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
- a change in the time frame for a performance obligation to be satisfied (i.e. for the recognition of revenue arising from a contract liability).

The approach taken will depend on the fact and circumstances of the entity. For example, in this illustration, HK Listco has provided information explaining the significant fall in the contract asset balance for construction contracts in the narrative notes which explains the link between the payment terms and the contract assets and contract liabilities, as the change arose from a change in HK Listco's typical payment terms.

- Made-to-order electronic products

  The group typically receives a 10% deposit on acceptance of the order (see note 1(aa)(i)(a)). The remainder of the consideration is payable rateably as and when the products are delivered, or in full if the customer cancels the contract. When a contract results in revenue being recognised in excess of the amount the group has the right to invoice to the customer, a contract asset is recognised.

HKFRS 15.116(c) The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods is $1,538,000 (2024: $1,083,000), mainly due to the changes in estimate of the stage of completion of certain construction contracts.

HKAS 1.61 The amount of contract assets expected to be recovered after more than one year is $730,000 (2024: $512,000), all of which relates to retentions. All of the other contract assets are expected to be recovered within one year[204].

(b) Contract liabilities[211]

HKFRS 15.116(a)

	2025 $'000	2024[209] $'000
Contract liabilities		
Construction contracts		
- Billings in advance of performance	**3,605**	1,039
Made-to-order manufacturing arrangements		
- Billings in advance of performance	**438**	567
Property development		
- Forward sales deposits and instalments received	**9,184**	5,567
	13,227	7,173

HKFRS 15.117 Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

- Construction contracts and made-to-order manufacturing arrangements

  When the group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The group typically receives a 10% deposit on acceptance of manufacturing orders (see note 1(aa)(i)(a)) and 20% deposit on all the group's construction contracts starting from 2025 before work commences (see note 1(aa)(i)(c)). In previous periods the amount of the deposit, if any, was negotiated on a case-by-case basis with customers.

212 Retention assets are by definition only recognised when the entity has assessed that it is entitled to the consideration and that any remaining uncertainty surrounding this amount is sufficiently low, such that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur (as per paragraph 56 of HKFRS 15). However, HKFRS 15 does not give specific guidance on whether a right to the retention payment should be presented as a receivable or a contract asset.

In this illustration, HK Listco has presented the amount as a contract asset until the relevant inspection is passed. This indicates that HK Listco regards retentions as still being subject to conditions other than solely the passage of time. This presentation is consistent with the guidance found in Example 27 (paragraphs IE141 to IE142) of the Illustrative Examples that accompany HKFRS 15, which explains that a contract does not contain a significant financing component simply because a retention clause results in deferred payment, as the contract requires the amount to be retained for reasons other than the provision of finance.

- Property development

  The group receives 10% 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 legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

  However, in cases that the customers agree to pay the balance of the consideration early while the construction is still ongoing, contract liabilities are being recognised throughout the remaining property construction period for the full amount of the contract price. In addition, the contract liability will be increased by the amount of interest expense being accrued by the group which would increase the amount of revenue recognised when control of the completed property is transferred to the customer (see note 1(aa)(i)(b)).

Movements in contract liabilities[213]

		2025	2024
		$'000	$'000
HKFRS 15.116(a)	Balance at 1 January	**7,173**	6,298
HKFRS 15.116(b)	Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(3,536)**	(3,873)
	Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	**3,689**	1,206
	Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties still under construction as at the year end	**4,916**	3,024
	Increase in contract liabilities as a result of accruing interest expense on advances (note 5(a))	**985**	518
HKFRS 15.116(a)	Balance at 31 December	**13,227**	7,173

HKAS 1.61

The amount of contract liabilities expected to be recognised as income after more than one year is $3,014,000 (2024: $1,774,000). All of the other contract liabilities are expected to be recognised as income within one year[204].

HKFRS 15.116-118

[213] As noted in footnotes 209 and 211, HKFRS 15 requires entities to disclose the opening and closing balances of contract assets and liabilities, to explain how the timing of satisfaction of their performance obligations relates to the typical timing of payment and the effect that those factors has on the contract asset and contract liability balances, and to disclose any significant changes in contract assets and liabilities balances during the period.

HKFRS 15.116(b)

In addition, paragraph 116(b) of HKFRS 15 explicitly requires disclosure of the amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period. For this reason, rather than providing narrative explanation about the significant changes, entities may find it simpler to provide a reconciliation of the opening and closing contract liability balances, as is illustrated here, to satisfy the disclosure requirements. Such reconciliation is not required and other approaches may be acceptable, provided that the required disclosures are provided.

21 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

HKAS 1.77
HKAS 1.78(b)

	2025 $'000	2024 $'000
Trade debtors and bills receivable, net of loss allowance	**73,638**	56,776
Other debtors (note 23)	**400**	546
Financial assets measured at amortised cost (HKFRS 7.8(f))	**74,038**	57,322
Insurance reimbursement (note 31)	**2,158**	1,752
	76,196	59,074

HKAS 1.61

Apart from those mentioned in notes 20 and 31, all of the other trade and other receivables are expected to be recovered or recognised as expense within one year[204].

Ageing analysis

D2(4)(2)(a)

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows[214]:

	2025 $'000	*2024 $'000*
Within 1 month	***59,767***	*44,034*
1 to 2 months	***10,403***	*9,557*
2 to 3 months	***2,081***	*1,911*
Over 3 months but within 6 months	***1,387***	*1,274*
	73,638	*56,776*

HKFRS 7.33(b)

Trade debtors and bills receivable are due within [●] days from the date of billing. Further details on the group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 33(a).

D2(4)(2)(a) & D2(4)(2)(b)

214 For Main Board listed issuers, the MBLRs require disclosure of the group's ageing analysis of accounts receivable and payable. In accordance with Note 4.2 to paragraph 4 to Appendix D2 to the MBLRs, the ageing analysis should normally be presented on the basis of the date of the relevant invoice or demand note and categorised into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position. The basis on which the ageing analysis is presented should be disclosed.

As of the time of writing, there is no guidance or recommendation as to whether the ageing of accounts receivable should be before or after recognition of impairment losses. Listed entities are therefore recommended, as a matter of best practice, to clearly state which approach has been adopted in this respect.

HKFRS 7.6, 31, 34-38 & B1-B3

Both listed and unlisted entities should also note that HKFRS 7 requires summary quantitative data in respect of the entity's exposures to each type of risk arising from financial instruments at the reporting date. This summary quantitative data should be based on information provided internally to key management personnel of the entity. Although this appears to leave it up to management's judgement to decide how much information to disclose. HKFRS 7 requires the following information to be disclosed as a minimum, whether or not such information is included in information provided to key management personnel:

- paragraphs 35A to 38 of HKFRS 7 require disclosure of an entity's credit risk management practices, quantitative and qualitative information about amounts arising from expected credit losses and the entity's credit risk exposure (see note 33(a)).
- paragraph 39(a) of HKFRS 7 requires disclosure of summary quantitative data about an entity's exposure to liquidity risk in the form of a maturity analysis for financial liabilities that shows the remaining contractual maturities (see note 33(b)).

(b) Prepayments

	2025 $'000	2024 $'000
Prepayments for:		
- SaaS arrangement[215]	**634**	-
- others	**80**	190
	714	190

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

HKAS 7.45

	2025 $'000	2024 $'000
Deposits with banks and other financial institutions	**36,059**	49,185
Cash at bank and on hand	**34,332**	52,029
HKAS 7.45 Property pre-sale proceeds held by solicitor (note (i)) [216]	**6,189**	3,874
Cash and cash equivalents in the consolidated statement of financial position	**76,580**	105,088
Bank overdrafts (note 26)	**(1,266)**	(2,789)
Cash and cash equivalents in the consolidated cash flow statement	**75,314**	102,299

(i) In accordance with the relevant laws and regulations governing the pre-sale of residential properties in Hong Kong, prepayments by customers are held by firms of solicitors as stakeholders. The amounts can be released to the group for meeting certain prescribed costs associated with the property development or if certain conditions are fulfilled.

HKAS 7.48

(ii) As at 31 December 2025, cash and cash equivalents situated in Chinese Mainland amounted to $8,521,000 (2024: $7,342,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

HKAS 1.60, 66

215 Entities apply the general principles in HKAS 1 when classifying and presenting prepayment balances. In this illustration, HK Listco pays the annual SaaS arrangement fees in advance at the beginning of each year. In addition, the implementation services for the SaaS arrangement are distinct from the access to the cloud software, and the implementation services are expected to be received within 12 months from when the associated payments are made. Therefore, the prepayment balance at the reporting date is classified wholly as current.

HKAS 7.6-7

216 In this illustration, HK Listco considers that the property pre-sale proceeds held by solicitors meet the definition of cash equivalents in accordance with paragraphs 6 and 7 of HKAS 7, as among other things the amounts are held for meeting short-term cash commitments of settling costs associated with the property development. Whether the definition of "cash equivalents" in HKAS 7 is met depends on an entity's specific facts and circumstances.

(b) Reconciliation of profit before taxation to cash generated from operations[217]:

		Note	**2025 $'000**	2024 $'000
HKAS 7.18(b)	Profit before taxation		**149,258**	127,683
	Adjustments for:			
	Net valuation gain on investment property	11(a)	**(18,260)**	(6,520)
	Depreciation	5(c)	**31,448**	26,175
	Impairment loss on plant and machinery	5(c)	**1,200**	-
	Amortisation of intangible assets	5(c)	**2,680**	1,500
	Impairment of goodwill	5(c)	**184**	-
	Finance costs	5(a)	**20,618**	16,166
	Dividend income from investments	4	**(610)**	(572)
	Interest income	4	**(1,363)**	(1,008)
	Financial guarantee issued	4	**(2)**	(2)
	Share of profits less losses of associates	15	**(13,830)**	(12,645)
	Share of profits of joint venture	16	**(10,670)**	(10,135)
	Loss on sale of property, plant and equipment	4	**83**	-
	Net realised and unrealised gain on investments not held for trading purposes	4	**(3,684)**	-
	Equity-settled share-based payment expenses	5(b)	**1,658**	1,625
	Changes in fair value of interest rate swaps recognised as hedge ineffectiveness	4	**(1)**	(1)
	Fair value change of conversion option embedded in convertible notes	33(f)	**1**	2
HKAS 7.28	Foreign exchange loss/(gain)		**2,392**	(3,998)
	Changes in working capital:			
	Increase in inventories and other contract costs		**(36,791)**	(30,230)
HKAS 7.15	Increase in trading securities		**(311)**	(3,780)
	Decrease in derivative financial instruments		**406**	763
	Increase in trade and other receivables		**(17,075)**	(18,900)
	Increase in prepayments		**(524)**	(78)
	Decrease/(increase) in contract assets		**12,787**	(4,421)
	Increase in trade and other payables	26(c)	**17,314**	33,630
	Increase in contract liabilities		**6,054**	875
	Increase in provision for electronic product warranties		**2,339**	1,800
	Increase in defined benefit plan obligations		**665**	1,790
	Cash generated from operations		**145,966**	119,719

HKAS 7.18 [217] In this illustration, HK Listco has elected to present cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows in order to arrive at "Cash generated from operations". An entity may alternatively present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities.

HKAS 7.44A – 44E

(c) Reconciliation of liabilities arising from financing activities[218, 219]

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

		Bank loans and other borrowings $'000 (Note)	Sustainability-linked bond $'000 (Note 25)	Convertible notes $'000 (Note 25)	Redeemable preference shares $'000 (Note 25)	Lease liabilities $'000 (Note 27)	Interest rate swaps held to hedge borrowings (assets)[220] $'000 (Note 33(f)(i))	Interest rate swaps held to hedge borrowings (liabilities) $'000 (Note 33(f)(i))	Conversion option embedded in convertible notes $'000 (Note 33(f)(i))	Total $'000
	At 1 January 2025	91,508	5,000	9,356	3,912	68,473	(1,489)	52	171	176,983
HKAS 7.44B(a)	**Changes from financing cash flows:**									
	Proceeds from new bank loans	6,100	-	-	-	-	-	-	-	6,100
	Repayment of bank loans	(25,480)	-	-	-	-	-	-	-	(25,480)
	Proceeds from new loans from fellow subsidiaries	1,759	-	-	-	-	-	-	-	1,759
	Capital element of lease rentals paid	-	-	-	-	(17,611)	-	-	-	(17,611)
	Interest element of lease rentals paid	-	-	-	-	(4,587)	-	-	-	(4,587)
	Other borrowing costs paid	(18,768)	(400)	(550)	-	-	-	-	-	(19,718)
	Proceeds from settlement of derivatives	-	-	-	-	-	77	21	-	98
	Dividends paid on redeemable preference shares	-	-	-	(200)	-	-	-	-	(200)
	Total changes from financing cash flows	(36,389)	(400)	(550)	(200)	(22,198)	77	21	-	(59,639)
HKAS 7.44B(c)	**Exchange adjustments**	(392)	-	-	-	-	-	-	-	(392)
HKAS 7.44B(d)	**Changes in fair value**	-	-	-	-	-	(252)	55	1	(196)
HKAS 7.44B(e)	**Other changes:**									
	Bank loans arising from supplier finance arrangement (note 26(c))	15,000	-	-	-	-	-	-	-	15,000
	Increase in lease liabilities from entering into new leases during the period	-	-	-	-	19,430	-	-	-	19,430
	Interest expenses (note 5(a))	14,793	400	736	-	4,587	-	-	-	20,516
	Capitalised borrowing costs	3,780	-	-	-	-	-	-	-	3,780
	Dividends on redeemable preference shares (note 5(a))	-	-	-	200	-	-	-	-	200
	Total other changes	33,573	400	736	200	24,017	-	-	-	58,926
	At 31 December 2025	**88,300**	**5,000**	**9,542**	**3,912**	**70,292**	**(1,664)**	**128**	**172**	**175,682**

Note : Bank loans and other borrowings consist of bank loans, loans from non-controlling shareholders of a subsidiary and loans from fellow subsidiaries as disclosed in notes 25 and 26.

HKAS 7.44A-E — [218] HKAS 7 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. HKAS 7 does not prescribe a specific method to fulfil these disclosure requirements. However, HKAS 7 indicates that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. In this illustration, HK Listco provides such reconciliation to satisfy the disclosure requirement.

HKAS 1.38 — [219] Comparative information is required for the reconciliation of liabilities arising from financing activities, as HKAS 7 does not give a specific exemption in this regard.

HKAS 7.44C — [220] The disclosure requirements by HKAS 7 also apply to changes in financial assets (e.g. assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

		Bank loans and other borrowings $'000 (Note)	Sustainability-linked bond $'000 (Note 25)	Convertible notes $'000 (Note 25)	Redeemable preference shares $'000 (Note 25)	Lease liabilities $'000 (Note 27)	Interest rate swaps held to hedge borrowings (assets) $'000 (Note 33(f)(i))	Interest rate swaps held to hedge borrowings (liabilities) $'000 (Note 33(f)(i))	Conversion option embedded in convertible notes $'000 (Note 33(f)(i))	Total $'000
	At 1 January 2024	89,840	5,000	9,170	-	64,763	(1,397)	40	169	167,585
HKAS 7.44B(a)	**Changes from financing cash flows:**									
	Proceeds from new bank loans	6,390	-	-	-	-	-	-	-	6,390
	Repayment of bank loans	(18,350)	-	-	-	-	-	-	-	(18,350)
	Proceeds from new loans from associates	906	-	-	-	-	-	-	-	906
	Capital element of lease rentals paid	-	-	-	-	(14,525)	-	-	-	(14,525)
	Interest element of lease rentals paid	-	-	-	-	(3,967)	-	-	-	(3,967)
	Other borrowing costs paid	(14,229)	(400)	(550)	-	-	-	-	-	(15,179)
	Proceeds from settlement of derivatives	-	-	-	-	-	72	8	-	80
	Proceeds from the issue of redeemable preference shares	-	-	-	4,000	-	-	-	-	4,000
	Payment of transaction costs on issue of redeemable preference shares	-	-	-	(88)	-	-	-	-	(88)
	Dividends paid on redeemable preference shares	-	-	-	(200)	-	-	-	-	(200)
	Total changes from financing cash flows	(25,283)	(400)	(550)	3,712	(18,492)	72	8	-	(40,933)
HKAS 7.44B(c)	**Exchange adjustments**	(453)	-	-	-	-	-	-	-	(453)
HKAS 7.44B(d)	**Changes in fair value**	-	-	-	-	-	(164)	4	2	(158)
HKAS 7.44B(e)	**Other changes:**									
	Bank loans arising from supplier finance arrangement (note 26(c))	13,431	-	-	-	-	-	-	-	13,431
	Increase in lease liabilities from entering into new leases during the period	-	-	-	-	18,235	-	-	-	18,235
	Interest expenses (note 5(a))	10,943	400	736	-	3,967	-	-	-	16,046
	Capitalised borrowing costs	3,030	-	-	-	-	-	-	-	3,030
	Dividends on redeemable preference shares (note 5(a))	-	-	-	200	-	-	-	-	200
	Total other changes	27,404	400	736	200	22,202	-	-	-	50,942
	At 31 December 2024	91,508	5,000	9,356	3,912	68,473	(1,489)	52	171	176,983

Note: Bank loans and other borrowings consist of bank loans, loans from non-controlling shareholders of a subsidiary and loans from fellow subsidiaries as disclosed in notes 25 and 26.

HKFRS 16.53(g)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025	2024
	$'000	$'000
Within operating cash flows	**5,910**	5,310
Within investing cash flows	**9,868**	6,847
Within financing cash flows	**22,198**	18,492
	37,976	30,649

These amounts relate to the following:

	2025	2024
	$'000	$'000
Lease rentals paid	**28,108**	23,802
Purchase of leasehold property	**9,868**	6,847
	37,976	30,649

HKAS 7.40

(e) Net cash outflow arising from the acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	$'000
Patents and trademarks (note 12)	2,000
Other receivables, deposits and prepayments	47
Cash	45
Other payables and accrued charges	(92)
Total consideration paid in cash	2,000
Less: cash of subsidiary acquired	(45)
	1,955

23 LOANS TO DIRECTORS AND ENTITIES CONNECTED WITH DIRECTORS[221]

Loans to directors[222] of the company and entities connected with directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

C(DIBD)R.15(3) **(a) Loan made by a third party under a guarantee given by the company**

Name of borrower	Mr PK Smith
Position	Director
Particulars of guarantee given	Guarantee given to a finance company in respect of a loan of $3,000,000
Maximum liability under the guarantee	
- at 1 January 2024	$800,000
- at 31 December 2024 and 1 January 2025	$500,000
- at 31 December 2025	$200,000
Amount paid or liability incurred under the guarantee	$Nil (2024: $Nil)

The guarantee is given without recourse to the director. The guarantee will expire on 31 December 2028 or when the director ceases to be employed by the company, if earlier. The benefit in kind which arises from providing this guarantee on behalf of the director is recognised over the term of the guarantee as part of directors' emoluments. At 31 December 2025, the carrying amount of this financial guarantee issued of $6,000 (2024: $8,000) is included in the "Other current liabilities".

The directors do not consider it probable that a claim will be made against the company under the guarantee.

C(DIBD)R.15-18 221 The disclosure requirements regarding directors' loans, quasi-loans and certain other dealings in favour of directors are set out in sections 15-18 of C(DIBD)R. The requirements under the CO mainly restate the disclosure requirements of the predecessor Ordinance. However, the scope of the disclosure requirements has been changed as follows:

- the scope has been expanded to include connected entities of the directors if the reporting entity is a "specified"* company. The definition of "connected entity" can be found in sections 484, 486-488 of the CO and includes both individuals, such as family members and business partners, and business entities, such as investees.
- "Other officers" (i.e. managers and companies secretaries) have been deleted from the scope, i.e. financing transactions with other officers are no longer required to be disclosed.

* For the purpose of providing disclosures under C(DIBD)R, companies are divided into two categories: "specified" companies and non-specified companies. The companies which are "specified" are:

a) a public company incorporated under the CO
b) a subsidiary incorporated under the CO of a public company incorporated under the CO
c) a company not incorporated under the CO but is listed on the Stock Exchange of Hong Kong

Non-specified companies are those that are none of the above.

As HK Listco is a "specified" company, connected entities of its directors also fall within the scope of the disclosures about financing transactions.

C(DIBD)R.13(2) 222 For the purpose of the disclosures on loans, quasi-loans, credit transactions and related guarantees provided, "directors" include shadow directors (i.e. a person whose directions or instructions which the directors, or a majority of the directors, of the company are accustomed to act).

C(DIBD)R.15(3)

(b) Loans made by the company

	YKN Enterprises Ltd	Mr A Brown
Name of borrower	YKN Enterprises Ltd	Mr A Brown
Relationship with the company	Controlled by Mr YK Ng, director of the company	Director of the ultimate holding company of the company
Terms of the loan		
- duration and repayment terms	Repayable on demand	Repayable on demand
- loan amount	$156,700	$460,000
- interest rate	[●]% above company's borrowing rate	[●]% above company's borrowing rate
HKFRS 7.36(b) - security	None	Property*
Balance of the loan		
- at 1 January 2024	Nil	Nil
- at 31 December 2024 and 1 January 2025	$106,300	$440,000
- at 31 December 2025	$ Nil	$400,000
Maximum balance outstanding		
- during 2025	$106,300	$440,000
- during 2024	$156,700	$460,000

There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on these loans at 31 December 2024 and 2025.

* The company does not have the right to sell or repledge the property held as collateral in the absence of default by the director of the ultimate holding company.[223] The group considers that the credit risk arising from the loan to the director of the ultimate holding company is significantly mitigated by the property held as collateral, with reference to the estimated market value of the property as at 31 December 2025.[224]

HKFRS 7.15 & 38 — 223 Note that when an entity recognises financial or non-financial assets during the period as a result of taking possession of collateral it accepted as security or calling on other credit enhancements (for example, guarantees), paragraph 38 of HKFRS 7 requires the entity to disclose the nature and carrying amounts of such assets held at the reporting date. If such assets are not readily convertible into cash, further disclosure needs to be provided regarding the entity's policies for disposing of these assets or for using them in its operations.

In addition, if the entity is permitted to sell or repledge the collateral it has accepted in the absence of default by the owner of the collateral, paragraph 15 of HKFRS 7 requires certain specific disclosure in the financial statements, including the fair value of the collateral accepted and the collateral sold or repledged as well as other material terms and conditions associated with the use of this collateral.

HKFRS 7.36(b) — 224 Paragraph 36(b) of HKFRS 7 requires a description of collateral held as a security and other credit enhancements, and their financial effect. An example of disclosure about financial effect given in paragraph 36(b) is a quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancement.

24 TRADE AND OTHER PAYABLES[225]

HKAS 1.77

		2025 $'000	2024 $'000
	Bills payable	**91,705**	73,859
	Creditors and accrued charges	**59,708**	60,648
HKAS 24.18(b)	Amounts due to ultimate holding company	**2,000**	1,800
HKAS 24.18(b)	Amounts due to fellow subsidiaries	**3,650**	3,780
HKFRS 7.8(g)	Financial liabilities measured at amortised cost	**157,063**	140,087
	Refund liabilities[226]:		
	- arising from right of return	**1,614**	1,350
	- arising from volume rebates	**1,936**	1,770
		160,613	143,207

HKAS 1.61 Apart from those mentioned in note 20, all trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand[204].

D2(4)(2)(b) *As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows[214]:*

	2025 $'000	*2024 $'000*
Within 1 month	***96,434***	*87,435*
1 to 3 months	***52,114***	*45,962*
Over 3 months but within 6 months	***1,543***	*1,106*
	150,091	*134,503*

HKAS 1.54, 55 & 57

225 Paragraph 11(a) of HKAS 37 states that trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Paragraph 70 of HKAS 1 further indicates that trade payables are part of the working capital used in the entity's normal operating cycle.

In the statement of financial position, other payables are aggregated with trade payables and presented as a single line item "trade and other payables" only when those liabilities have a similar nature and function to trade payables – for example, when those liabilities are part of the working capital used in the entity's normal operating cycle. Additionally, paragraph 55 of HKAS 1 indicates that disaggregation of "trade and other payables" may be appropriate if this is relevant to an understanding of the entity's financial position. Paragraphs 54 and 57 of HKAS 1 indicate that "trade and other payables" are sufficiently different in nature or function from other financial liabilities (e.g. bank loans) that warrant separate presentation in the statement of financial position.

In this illustration, HK Listco issues bills of exchange to its suppliers to facilitate payment processing and to allow its suppliers sell the bills to banks before the due dates. Although the counterparty of the bills payable may not be the original suppliers by the time HK Listco settles the amounts, HK Listco has considered the amounts, nature and timing of the bills payable and has determined that the bills payable have a similar nature and function to its trade payables – relevant consideration includes the fact that the payment terms have not been substantially changed as compared to the normal credit terms granted by suppliers, and that it did not incur any additional interest towards the bill. Accordingly, HK Listco has included the bills payable as part of "trade and other payables".

As is illustrated in note 26(c), HK Listco is involved in a supplier finance arrangement where the nature or function of the liability which originated from purchase of goods or services (in that case a payable to a bank) is so different from the original trade payable that presenting the liability as part of "bank loans and overdrafts" rather than as part of "trade and other payables" is more appropriate (see footnote 233).

226 In this illustration, HK Listco considers that its refund liabilities arising from sales transactions with the customers are executory in nature as they are dependent on whether the customers return the goods or make additional purchases in future. Therefore the refund liabilities do not meet the definition of a financial liability in HKAS 32.

If a refund liability or a liability related to a repurchase agreement meets the definition of a financial liability in HKAS 32, then it is subject to the disclosure requirements in HKFRS 7.

25 INTEREST-BEARING BORROWINGS

HKFRS 7.7

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	2025 $'000	2024 $'000
Bank loans (note 26)		
- secured	**7,680**	9,054
- unsecured	**47,731**	45,621
	55,411	54,675
Sustainability-linked bond (note 25(b)(i))	**5,000**	5,000
Non-derivative liabilities from convertible notes (note 25(b)(ii))	**9,542**	9,356
Redeemable preference shares (note 25(b)(iii))	**3,912**	3,912
Loans from non-controlling shareholders of a subsidiary (note 25(b)(iv))	**3,000**	3,000
HKAS 24.18(b) Loans from fellow subsidiaries (note 25(b)(v))	**2,665**	906
	79,530	76,849
Less: amount included under "current liabilities" (note 25(b)(ii))	**(4,728)**	(4,598)
	74,802	72,251

HKFRS 7.8(g)

All of the above interest-bearing borrowings are carried at amortised cost.

HKFRS 7.7 & 31

(b) Significant terms and repayment schedule of non-bank borrowings[227]

(i) Sustainability-linked bond

On 31 December 2023, the group issued a eight-year sustainability-linked bond of HK$5,000,000. The bond is unsecured and bear interest ranging from [●]% to [●]%, depending on the group's sustainability performance in relation to reduction of greenhouse gas emission, energy consumption and hazardous waste.

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[227] Paragraph 31 of HKFRS 7 contains a general requirement to disclose information that enables users of an entity's financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. This requirement is then supplemented by requirements concerning qualitative information and quantitative information, as further explained in the footnotes to note 33.

None of these requirements in HKFRS 7 specifically require the disclosure of significant terms and conditions of all financial instruments. Nevertheless such information may be pertinent to help users of financial statements understand the risks that arise from the financial instruments held by the entity. For example, the disclosures concerning covenants attaching to borrowings, which would make the borrowings repayable on demand in certain circumstances, may be pertinent to assessing the liquidity risk faced by an entity.

Judgement is therefore required to be exercised in determining when it is necessary to make such a disclosure in respect of any given financial instrument, or a class of financial instruments sharing similar risk characteristics, and, if so, how much detail to disclose and whether to disclose it together with the notes to the statement of financial position, or in a separate note dealing with the entity's financial instrument risk management policies and analyses (i.e. as illustrated in note 33).

(ii) Convertible notes

D2(10)(1)

On 31 December 2022, the company issued 2 tranches, Tranche A and B, of 5,000,000 convertible notes. Each tranche has a face value of HK$5,000,000 and a maturity date of 31 December 2027. The notes bear interest at [●]% per annum and are unsecured.

The rights of the noteholders to convert the notes into ordinary shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the noteholders' option.
- If a holder of Tranche A notes exercises its conversion rights, the company is required to deliver ordinary shares at a rate of one ordinary share for every 20 notes converted. The liability of Tranche A notes is classified as non-current.[228]
- If a holder of Tranche B notes exercises its conversion rights, the company has the right to choose whether to deliver ordinary shares at a rate of one ordinary share for every 20 notes converted, or whether to settle in cash at an amount equal to the fixed number of shares under the conversion option multiplied by the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the [●] days immediately preceding the date of conversion. Both the host liability and the conversion rights (see "derivative financial liabilities" in note 18) are classified as current.[228]

Notes of either tranche, in respect of which conversion rights have not been exercised, will be redeemed at face value on 31 December 2027.

(iii) Redeemable preference shares

D2(10)(3)

On 1 January 2023, the group issued 4,000,000 redeemable preference shares, which are redeemable at face value of $4,000,000 on 31 December 2029. Preference shareholders' rights are described in note 32(c)(i). Dividends are set at 5% of the face value and are payable semi-annually in arrears.

(iv) Loans from non-controlling shareholders of a subsidiary

The loans from a non-controlling shareholders of a subsidiary bear interest at prime rate plus [●]% per annum, are unsecured and are repayable on 31 December 2028.

(v) Loans from fellow subsidiaries

HKAS 24.18(b)

The loans from the fellow subsidiaries bear interest at prime rate plus [●]% per annum, are unsecured and repayable on 31 December 2030.

HKAS 1.69(a)-(d), 76A-76B

[228] The amendments to HKAS 1, *Classification of liabilities as current or non-current*, which are effective for annual periods beginning on or after 1 January 2024, clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

In this illustration, HK Listco classified the liability of Tranche A convertible notes as non-current as the maturity date is beyond 12 months after the reporting period and the equity-classified conversion option does not impact the current or non-current classification. HK Listco classified both the host liability and the conversion rights of Tranche B convertible notes as current as the conversion rights do not meet the definition of an equity instrument and are exercisable at any time at the noteholders' option.

HKFRS 7.7 & 31

26 BANK LOANS AND OVERDRAFTS

D2(22)

(a) The analysis of the repayment schedule of bank loans and overdrafts is as follows:

	2025 $'000	2024 $'000
Within 1 year or on demand	**28,490**	35,716
After 1 year but within 2 years	**5,260**	3,375
After 2 years but within 5 years	**45,151**	44,696
After 5 years	**5,000**	6,604
	55,411	54,675
	83,901	90,391

(b) Assets pledged as security and covenants for bank loans and overdrafts

At 31 December 2025, the bank loans and overdrafts were secured as follows:

	2025 $'000	2024 $'000
Unsecured bank overdrafts (note 22)	**1,266**	2,789
Secured bank loans – supplier finance arrangement (note 26(c))	**9,818**	8,768
Other bank loans		
- secured	**11,357**	28,397
- unsecured	**61,460**	50,437
	83,901	90,391

HKAS 16.74(a)

At 31 December 2025, the banking facilities of the group were secured by mortgages over land and buildings with an aggregate carrying value of $89,255,000 (2024: $75,087,000) and first floating charges over property, plant and equipment with an aggregate carrying value of $13,910,000 (2024: $16,792,000). Such banking facilities amounted to $91,000,000 (2024: $75,000,000). The facilities were utilised to the extent of $33,284,000 (2024: $52,065,000).

HKFRS 7.31

All of the group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants the related loans would become payable on demand. The group did not identify any difficulties complying with the covenants. Further details of the covenants and the group's management of liquidity risk are set out in note 33(b). As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached (2024: $ nil). [227, 229]

HKAS 1.74-75

[229] If there have been any breaches of loan agreements during the period further disclosure may be required by paragraphs 18 and 19 of HKFRS 7. Additionally, unless the lender has agreed to provide either a waiver or a grace period such that the lender does not have a right to demand repayment within twelve months from the reporting date, and that agreement was obtained before the reporting date, the liability must be classified as a current liability at the reporting date.

(c) Bank loans arising from supplier finance arrangements[230, 231]

		31 December 2025 $'000	31 December 2024 $'000	1 January 2024 $'000
	Carrying amount of the financial liabilities[232]			
HKAS 7.44H(b)(i)	Presented as "bank loans and overdrafts"[233]	**9,818**	8,768	7,265
HKAS 7.44H(b)(ii)	- of which suppliers have received payments from the banks	**8,872**	5,822	4,814
HKAS 7.44H(b)(iii)	**Range of payment due dates**[234]			
	Liabilities subject to supplier finance arrangement (days after invoice date)	**120 – 180 days**	120 – 180 days	120 – 180 days
	Comparable trade payables that are not part of supplier finance arrangements	**30 – 60 days**	30 – 60 days	30 – 60 days

HKAS 7.44H(a) The group has entered into certain reverse factoring arrangements with banks, under which the group obtained extended credit in respect of the invoice amounts owed to certain suppliers of household electronic materials. The banking facilities in relation to these arrangements are secured by the group's building with an aggregate carrying value of $14,000,000.[235]

HKAS 7.43, 44H(c) In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks amounting to $15,000,000 (2024: $13,431,000) are non-cash transactions.

HKAS 7.44F, 44H 230 An entity is required to disclose the following for its supplier finance arrangements to meet the disclosure objectives:

a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided).
b) as at the beginning and end of the reporting period:
   (i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
   (ii) the carrying amounts, and associated items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
   (iii) the range of payment due dates for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement.
c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i) (for example, the effect of business combination, exchange differences or other transactions that do not require the use of cash or cash equivalents).

HKFRS 7.44JJ, B11F Supplier finance arrangement is one of the examples within the liquidity risk disclosure requirements in paragraph B11F of HKFRS 7. HK Listco has provided such information in note 33(b).

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231 An entity's assessment of the nature or function of the liabilities related to reverse factoring arrangements may also help determine whether the related cash flows arise from operating or financing activities. For example, if the nature or function of the liability is consistent with that of a trade payable that is part of the working capital used in the entity's principal revenue-producing activities, classifying the cash outflows to the factor as operating would be appropriate. On the other hand, if the nature or function of the liability is not a trade or other payable but a borrowing, then classifying the related cash outflow to the factor as financing would be appropriate.

HKAS 7.43 & 44A

If there is actual cash inflow and cash outflow for the entity when an invoice is factored as part of a reverse factoring arrangement, then the entity presents those cash flows in its cash flow statement. If no cash inflow or cash outflow occurs for an entity in a financing transaction, then the disclosures about non-cash transactions and those that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, shall be provided elsewhere in the financial statements. In this illustration, HK Listco included payments to suppliers by the banks as one of the non-cash changes from the financing activities in note 22(c) to these financial statements.

HKFRS 7.31 & 33-34

In addition, disclosures about an entity's exposure to liquidity risk associated with supplier finance arrangements are required when the information is material to an entity's financial statements. For example, such disclosures could be particularly relevant for an entity that has become reliant on extended payment terms under supplier finance arrangements and is exposed to significant liquidity risk if the credit market dries up unexpectedly.

232 If liabilities related to a supplier finance arrangement are presented in more than one line item, entities need to disclose each line item and the associated carrying amount presented in that line item and the amount for which suppliers have already received payments from the finance provider.

HKAS 1.54, 55 & 57

233 As discussed in footnote 225, entities need to exercise judgement in determining whether certain trade-related liabilities should be presented within "trade and other payables", within other financial liabilities, or as a separate line item in the statement of financial position. In the context of liabilities related to a reverse factoring arrangement, attention should be given to whether the nature or function of the original trade payable to suppliers have been sufficiently modified by the arrangement. Relevant consideration in this regard includes, for example:

a) whether additional security or guarantee is provided as part of the arrangement that would not be provided without the arrangement; and
b) the extent to which the terms of liabilities that are part of the arrangement differ from the terms of the entity's trade payables that are not part of the arrangement.

In this illustration, HK Listco has entered into certain reverse factoring arrangements under which banks agree to pay certain suppliers amounts owed by HK Listco and receive settlement from HK Listco later. The principal business purpose of the arrangements is to provide funding to HK Listco, rather than to its suppliers. As such, the arrangements significantly extend the payment terms beyond the normal terms agreed with suppliers, and HK Listco is required to pay interest. HK Listco has determined that the nature and function of the payables to banks are no longer consistent with the working capital used in the HK Listco's normal operating cycle, and are so different from the original trade payables that presentation within "bank loans and overdrafts", rather than "trade and other payables", would be more appropriate.

HKAS 7.44H(b)(iii)

234 If the ranges of payment due dates are wide, then explanatory information about those ranges or additional ranges (for example, stratified ranges) should be disclosed.

HKAS 7.44H(a)

235 If the terms and conditions of multiple supplier finance arrangements have dissimilar terms and conditions (including the extended payment terms and security or guarantees provided), then they should be disclosed separately.

27 LEASE LIABILITIES

D2(22)

At 31 December 2025, the lease liabilities were repayable as follows[236]:

	2025	2024
	$'000	$'000
Within 1 year	**21,329**	15,271
After 1 year but within 2 years	**20,974**	15,289
After 2 years but within 5 years	**24,166**	34,501
After 5 years	**3,823**	3,412
	48,963	53,202
	70,292	68,473

HKFRS 16.58 HKFRS 7.39(a)

236 Under HKFRS 16, entities need to disclose a maturity analysis of lease liabilities by applying paragraphs 39 and B11 of HKFRS 7 separately from the maturity analysis of other financial liabilities (see note 33(b)). Similar to other disclosure requirements under HKFRS 7, the standard does not specify the format of the information required, for example, the number of time bands to be used in the maturity analysis (although suggested time bands are set out in paragraph B11 of HKFRS 7). Entities should use their judgement to determine what is appropriate in view of their circumstances and with due regard to the information provided internally to key management personnel.

D2(22)

However, listed entities are required by paragraph 22 of Appendix D2 to analyse their lease liabilities between amounts payable in the next year, amounts payable after one year but within two years, amounts payable after two years but within five years and aggregate amounts payable after five years, from the end of the reporting period, at a minimum.

HKAS 1.71

Under paragraph 71 of HKAS 1, a long-term financial liability is split into current and non-current portions. For financial liabilities that require periodic payments that are applied against both the principal and interest (sometimes referred to as 'amortising loans') like lease liabilities, HKFRS Accounting Standard does not provide specific guidance on splitting the current and non-current portions. In our view, an acceptable policy is to determine the current portion as the present value of contractual payments that are due to be settled within twelve months after the reporting period, as is illustrated here. Alternatively, the current portion could be determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period. Whichever policy is adopted, it should be applied consistently for all financial liabilities and from one period to the next, to the extent that the effect would be material.

HKAS 1.61

237 HKAS 1 requires disclosure of the amount expected to be recovered or settled after more than one year, when any balance combines this with amounts expected to be recovered or settled within one year. In our view, where it is not practicable to make such a distinction, it is sufficient if the financial statements state this fact and explain why. See also footnote 66.

HKAS 19.147(b)

Paragraph 147(b) of HKAS 19 also requires entities to disclose the expected contributions to defined benefit plans for the next annual reporting period. In this illustration, it is assumed that HK Listco applies the approach set out in the HKICPA guidance "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that considers the accrued benefits derived from MPF contributions for an employee that are expected to be used to reduce the LSP liabilities as deemed contributions by that employee towards the LSP. Therefore, such disclosure is irrelevant.

However, if an entity applies the alternative approach set out in the HKICPA guidance with the recognition of reimbursement right assets separately from the gross LSP liabilities, the offsetable accrued benefits from MPF contributions to be paid by the entity are considered as employer's contributions to the LSP and the returns on such contributions. In such case, the entity should disclose the expected contributions for the next annual reporting period in accordance with paragraph 147(b) of HKAS 19.

D2(26)(2)

238 In accordance with paragraph 26(2) of Appendix D2 to the MBLRs, a listed issuer is required to provide the following information in the case of defined contribution schemes:

- details of whether forfeited contributions may be used by the employer to reduce the existing level of contribution; and
- if so, the amounts so utilised in the course of the year and available at the date of statement of financial position for such use.

Common examples of defined contribution schemes in China include the MPF schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the social insurance and housing funds operated by the relevant government authorities in Chinese Mainland. Usually, contributions to these schemes vest immediately, and there would not be forfeited contributions that may be used by the employer to reduce the existing level of contribution. If an entity operates a defined contribution scheme with forfeitable contributions, further details of the forfeited contributions should be disclosed.

28 POST-EMPLOYMENT BENEFITS

The group operates a MPF scheme for the employees and two other retirement plans registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) for the senior management team in Hong Kong. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met.

The ORSO plans and LSP are defined benefit plans. The analysis of the carrying amount of defined benefit plan obligations is as follows:

HKAS 1.77

	2025	2024
	$'000	$'000
ORSO plan liabilities (note 28(b))	**1,997**	1,702
Long service payment liabilities (note 28(c))	**1,887**	1,508
	3,884	3,210

HKAS 1.61

HKAS 19.147(b)

A portion of the above liabilities is expected to be settled after more than one year.[237] However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The group expects to pay $[●] in contributions to defined benefit retirement plans in 2026.

(a) MPF scheme

D2(26)(1)

D2(26)(2)

The group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the group's ORSO plans. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the group to reduce the existing level of contribution[238].

(b) ORSO plan liabilities[239, 240]

HKAS 19.139(a)

The ORSO plans of the group are administered by trustees, the majority of which are independent, with their assets held separately from those of the group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. Under the plans, a retired employee is entitled to an annual pension payment equal to [●] of final salary for each year of service that the employee provided.

D2(26)(1)
HKAS 19.147(a)
D2(26)(3)(c) & (d)

The plans are funded by contributions from the group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 31 December 2025 and were prepared by qualified staff of ABC Company Limited, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. *The actuarial valuations indicate that the group's obligations under these defined benefit retirement plans are [●]% (2024: [●]%) covered by the plan assets held by the trustees.*

HKAS 19.139(b)

The plans expose the group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement plans have similar risks and features, information about the two plans is aggregated and disclosed below:[241]

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2025	2024
	$'000	$'000
Present value of wholly or partly funded obligations	**122,997**	108,298
Fair value of plan assets[242]	**(121,000)**	(106,596)
	1,997	1,702

HKAS 19.135

239 HKAS 19 sets out the following objectives for disclosures about defined benefit plans of an entity:

- to explain the characteristics of its defined benefit plans and risks associated with them;
- to identify and explain the amounts in its financial statements arising from its defined benefit plans; and
- to describe how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

Paragraphs 139 to 150 of HKAS 19 lists out the disclosures required by the standard. However, paragraph 137 of HKAS 19 explicitly requires that if the disclosures provided in accordance with the requirements in the standard and other HKFRS Accounting Standards are insufficient to meet the above disclosure objectives, the entity should disclose additional information necessary to meet them.

HKAS 19.139

240 Paragraph 139 of HKAS 19 lists out the disclosures required in respect of the characteristics of defined benefit plans and risks associated with them, including:

- the nature of the benefits provided by the plan;
- a description of the regulatory framework in which the plan operates;
- a description of any other entity's responsibilities for the governance of the plan, e.g. responsibilities of trustees or board members of the plans;
- a description of the risks to which the plan exposes the entity; and
- a description of any plan amendments, curtailments and settlements.

Entities should consider the level of detail necessary to satisfy the disclosure requirements.

HKAS 19.138

241 If an entity has more than one defined benefit plan, it should assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks.

HKFRS 13.7(a)

242 Plan assets measured at fair value under HKAS 19 are subject to HKFRS 13's measurement requirements, but are scoped out from HKFRS 13's disclosure requirements as HKAS 19 contains specific disclosure requirements relating to the fair value of plan assets.

HKAS 19.142-143

(ii) Plan assets consist of the following:[243]

	2025	2024
	$'000	$'000
Equity securities:		
- Consumer markets	**21,852**	18,584
- Financial institutions	**31,452**	27,185
- Telecommunication	**16,600**	14,820
	69,904	60,589
Government bonds	**50,493**	45,467
Company's own ordinary shares	**603**	540
	121,000	106,596

All of the equity securities and government bonds and the company's own ordinary shares have quoted prices in active markets. The government bonds have a credit rating of [●] to [●].

HKAS 19.146

At the end of each reporting period, an Asset-Liability Matching study is performed by the trustees to analyse the outcome of the strategic investment policies. The investment portfolio targets a mix of [●]-[●]% in equity securities across a range of industries, [●]-[●]% in government bonds, and [●]-[●]% in other investments. Interest rate risk is managed with the objective of reducing the risk by [●]% by investing in government bonds.[244]

HKAS 19.142 — [243] HKAS 19 requires entities to disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market and those that do not. Paragraph 142 of HKAS 19 includes examples of how the plan assets may be distinguished.

HKAS 19.146 — [244] Some plans or entities may use an asset-liability matching strategy to match the amount and timing of cash inflows from plan assets with those of cash outflow from the defined benefit obligation. If such matching strategy has been used by the plans or by the entities, paragraph 146 of HKAS 19 requires the entities to provide information about the strategy, including the use of annuities or other techniques, such as longevity swaps, to manage risk.

HKAS 19.141(c)(ii)&(iii) — [245] Actuarial gains and losses arising from changes in demographic assumptions are required to be disclosed separately from those arising from changes in financial assumptions.

HKAS 19.141(f) — [246] Contributions to the plan by employer should be separately disclosed from contributions by plan participants. In this illustration, the contributions are wholly made by HK Listco (i.e. the employer).

HKAS 19.123-126 — [247] Net interest on the net defined benefit liability (asset) comprises of interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling.

HKAS 19 does not specify where net interest and service cost should be presented in profit or loss. It also does not specify whether they should be presented separately or as components of a single item of income or expense. An entity should therefore choose an accounting policy, to be applied consistently, to the presentation of net interest and service cost. To help identify amounts in the financial statements arising from defined benefit plans, entities should also disclose how and where the costs have been recognised in profit or loss.

HKAS 19.144 — [248] Paragraph 144 of HKAS 19 requires entities to disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation. Entities should apply judgement to determine which actuarial assumptions are significant to the valuation and therefore require disclosure.

The disclosure of significant actuarial assumptions should be in absolute terms, e.g. as an absolute percentage. When an entity has more than one defined benefit plan and provides disclosures in total, it should disclose the significant actuarial assumptions in the form of weighted averages or relatively narrow ranges.

(iii) Movements in the present value of the defined benefit obligation

Reference		2025	2024
HKAS 19.140(a)(ii)		**$'000**	$'000
	At 1 January:	**108,298**	94,290
	Remeasurements:		
HKAS 19.141(c)(ii)	- Actuarial losses arising from changes in demographic assumptions[245]	**35**	18
HKAS 19.141(c)(iii)	- Actuarial losses arising from changes in financial assumptions	**13**	24
		48	42
HKAS 19.141(g)	Benefits paid by the plans	**(5,976)**	(5,500)
HKAS 19.141(a)	Current service cost	**13,834**	13,286
HKAS 19.141(b)	Interest cost	**6,793**	6,180
	At 31 December	**122,997**	108,298

HKAS 19.147(c) The weighted average duration of the defined benefit obligation is [●] years (2024: [●] years).

(iv) Movements in plan assets

Reference		2025	2024
HKAS 19.140(a)(i)		**$'000**	$'000
	At 1 January:	**106,596**	93,086
HKAS 19.141(f)	Group's contributions paid to the plans[246]	**14,579**	13,720
HKAS 19.141(g)	Benefits paid by the plans	**(5,976)**	(5,500)
HKAS 19.141(b)	Interest income	**5,750**	5,250
HKAS 19.141(c)(i)	Return on plan assets, excluding interest income	**51**	40
	At 31 December	**121,000**	106,596

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2025	2024
	$'000	$'000
Current service cost	**13,834**	13,286
Net interest on net defined benefit liability[247]	**1,043**	930
Total amounts recognised in profit or loss	**14,877**	14,216
Actuarial losses	**48**	42
Return on plan assets, excluding interest income	**(51)**	(40)
Total amounts recognised in other comprehensive income	**(3)**	2
Total defined benefit costs	**14,874**	14,218

HKAS 19.145 and 173(b) 249 Entities are required to disclose a sensitivity analysis for significant actuarial assumptions. In accordance with paragraph 145 of HKAS 19, an entity should disclose:

- a sensitivity analysis for each significant actuarial assumption as disclosed under paragraph 144 of HKAS 19 as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date;
- the methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods; and
- changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes.

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss:[247]

	2025	2024
	$'000	$'000
Cost of sales	**11,680**	10,978
Distribution costs	**1,353**	1,370
Administrative expenses	**1,844**	1,868
	14,877	14,216

(vi) Significant actuarial assumptions[248] (expressed as weighted averages) and sensitivity analysis[249] are as follows:

D2(26)(3)(a), HKAS 19.144

	2025	2024
Discount rate	**[●]%**	[●]%
Future salary increases	**[●]%**	[●]%

HKAS 19.145

The below analysis shows how the defined benefit obligation would have increased (decreased) as a result of [●]% change in the significant actuarial assumptions:

HKAS 19.145(a)

	Increase in [●]%		**Decrease in [●]%**	
	2025	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000
Discount rate	**([●])**	([●])	**[●]**	[●]
Future salary increases	**[●]**	[●]	**([●])**	([●])

HKAS 19.145(b)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(c) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at $22,500) and the years of service, reduced by the amount of any accrued benefits derived from the group's contributions to MPF scheme (see note 28(a)) or ORSO plans (see note 28(b)), with an overall cap of $390,000 per employee. Currently, the group does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025, the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance") came info effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy ("Subsidy") for employers' costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

Among other things, upon the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The group has accounted for the offsetting mechanism and its abolition as disclosed in note 1(x)(ii) and the Subsidy as government grants in accordance with note 1(aa)(ii)(d).

The group has determined that the 2022 Amendment Ordinance primarily impacts the group's LSP liability with respect to Hong Kong employees that do not participate in the group's ORSO plans. The 2022 Amendment Ordinance has no material impact on the group's LSP liability with respect to employees that participate in the group's ORSO plans.

The group was not entitled to any Subsidy during the year ended 31 December 2025.[250]

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250 In January 2025, the HKICPA published "Accounting implications of the government subsidy scheme for the abolition of the MPF offsetting arrangement" to provide guidance on the accounting for the Subsidy. In accordance with the HKICPA guidance, a generally acceptable method is to account for the Subsidy as a government grant in accordance with HKAS 20. Accordingly, the Subsidy will not be recognised until there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and
(b) the grant will be received.

The HKICPA guidance further states that expectations are that under most circumstances there would not be reasonable assurance that the conditions associated with the Subsidy would be met until an employer has paid or is about to pay the LSP to their employees in accordance with the Hong Kong Employment Ordinance.

HKAS 20.39(b) In this illustration, it is assumed that HK Listco was not entitled to any Subsidy during the year. If an entity is entitled to a Subsidy, details about the nature and extent of the Subsidy recognised should be disclosed in accordance with paragraph 39(b) of HKAS 20.

The present value of unfunded obligations and its movements are as follows:

		2025	2024
HKAS 19.140(a)(ii)		**$'000**	$'000
	At 1 January:	**1,508**	206
	Remeasurements recognised in other comprehensive income:		
HKAS 19.141(c)(iii)	Actuarial losses arising from changes in financial assumptions	**12**	8
	Expenses recognised in profit or loss:		
HKAS 19.141(a)	Current service cost	**322**	278
HKAS 19.141(b)	Interest cost	**45**	36
HKAS 19.141(d)	Past service cost	**-**	980
		367	1,294
	At 31 December	**1,887**	1,508

HKAS 19.147(c) The weighted average duration of the defined benefit obligation is [●] years (2024: [●] years).

The above expenses are recognised in the following line items in the consolidated statement of profit or loss:[247]

	2025	2024
	$'000	$'000
Distribution costs	**92**	370
Administrative expenses	**275**	924
	367	1,294

Significant actuarial assumptions[248] (expressed as weighted averages) and sensitivity analysis[249] are as follows:

HKAS 19.144		2025	2024
	Discount rate	**[●]%**	[●]%
	Future salary increases	**[●]%**	[●]%
	Expected investment return on offsetable MPF accrued benefits	**[●]%**	[●]%

HKAS 19.145 The below analysis shows how the defined benefit obligation would have increased/decreased as a result of [●]% change in the significant actuarial assumptions:

HKAS 19.145(a)		Increase in [●]%		Decrease in [●]%	
		2025	2024	**2025**	2024
		$'000	$'000	**$'000**	$'000
	Discount rate	**([●])**	([●])	**[●]**	[●]
	Future salary increases	**[●]**	[●]	**([●])**	([●])

HKAS 19.145(b) The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

HKFRS 2.45

The company has a share option scheme which was adopted on 1 March 2021 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options at nil consideration to subscribe for shares of the company[251]. The options vest after one year from the date of grant and are then exercisable within a period of two years. Each option gives the holder the right to subscribe for one ordinary share in the company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

HKFRS 2.45(a)

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
- on 1 November 2022	200,000	One year from the date of grant	3 years
- on 1 July 2024	1,500,000	One year from the date of grant	3 years
Options granted to employees:			
- on 1 July 2024	5,000,000	One year from the date of grant	3 years
- on 1 May 2025	500,000	One year from the date of grant	3 years
Total share options granted	7,200,000		

(b) The number and weighted average exercise prices of share options are as follows:

HKFRS 2.45(b) & (c)

	2025		2024	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
		'000		'000
Outstanding at the beginning of the period	**$6.00**	**6,700**	$6.00	200
Exercised during the period	**$6.00**	**(1,000)**	-	-
Forfeited during the period[252]	**$6.00**	**(200)**	-	-
Granted during the period	**$6.50**	**500**	$6.00	6,500
Outstanding at the end of the period	**$6.04**	**6,000**	$6.00	6,700
Exercisable at the end of the period	**$6.00**	**5,500**	$6.00	200

HKFRS 2.45(c)

The weighted average share price at the date of exercise for shares options exercised during the year was $6.60 (2024: not applicable).[253]

HKFRS 2.45(d)

The options outstanding at 31 December 2025 had an exercise price of $6.00 or $6.50 (2024: $6.00) and a weighted average remaining contractual life of 1.6 years (2024: 2.5 years).[254]

R17.09(8) 251 Chapter 17 of the MBLRs also requires the disclosure of the basis of determining the exercise price of options granted or the purchase price of shares awarded, if any, of each share scheme. This information may be disclosed in the annual financial statements or in the directors' report as illustrated in this annual report (see page 17).

HKFRS 2.45(b) 252 Grants which expired during the period should also be disclosed separately, if applicable.

HKFRS 2.45(c) 253 If options were exercised on a regular basis throughout the period, the weighted average share price during the period may be disclosed as an alternative.

HKFRS 2.45(d) 254 If the range of exercise prices is wide, the outstanding options could be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon the exercise of those options.

(c) Fair value[255] of share options and assumptions

HKFRS 2.47
R17.07(1)(c)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

HKFRS 2.47(a)(i)
R17.07(1)(c)

Fair value of share options and assumptions	**2025**	2024
Fair value at measurement date	**$0.40**	$0.50
Share price	**$6.50**	$6.00
Exercise price	**$6.50**	$6.00
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	**[●]%**	[●]%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	**[●] years**	[●] years
Expected dividends	**[●]%**	[●]%
Risk-free interest rate (based on Exchange Fund Notes)	**[●]%**	[●]%

HKFRS 2.47(a)(ii)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

HKFRS 2.47(a)(iii)

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

HKFRS 13.6(a)

[255] Share-based payment transactions accounted for under HKFRS 2 are scoped out from both the measurement and disclosure requirements of HKFRS 13. The fair value of share-based payments therefore continues to be measured and disclosed in accordance with HKFRS 2.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION[140]

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

HKAS 1.77

	2025 $'000	2024 $'000
Current		
Provision for Hong Kong Profits Tax for the year	**13,000**	14,849
Provisional Profits Tax paid	**(6,250)**	(8,639)
	6,750	6,210
Balance of Profits Tax provision relating to prior years	**-**	1,034
	6,750	7,244
Non-current[67, 256]		
Provision for Pillar Two income taxes	**2,928**	360

[256] While HKAS 12 prohibits the discounting of deferred tax balances, the standard does not provide specific guidance on the measurement of current tax balances when the effect of discounting is material, in particular for *current tax* liabilities that are classified as *non-current* under HKAS 1 (see footnote 67). In our view, whether discounting is needed for *current tax* liabilities depends on the nature of an entity's right to defer settlement:

- If the entity's right to defer the settlement arises from the tax legislation, then the entity should choose an accounting policy and apply it consistently as to discount or not discount the tax liabilities.
- If the entity's right to defer the settlement arises from an agreement with the tax authority to restructure an outstanding current tax liability and the restructured tax liability does not bear interest at a market rate, then we believe that the entity should discount the restructured tax liability by analogy to HKFRS 9.

In this illustration, it is assumed that all the tax liabilities relating to the Pillar Two income tax are due for settlement more than 12 months after the reporting date under the tax legislation (see footnote 67). HK Listco has elected not to discount those tax liabilities.

(b) Deferred tax assets and liabilities recognised:

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

HKAS 12.81(g)(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax arising from:	Revaluation of investment property $'000	Depreciation allowances in excess of the related depreciation $'000	Right-of-use assets[257] $'000	Lease liabilities[257] $'000	Revaluation of other properties $'000	Amortisation of capitalised contract costs[258] $'000	Amortisation of other intangibles $'000	Credit loss allowance[259] $'000	Defined benefit plan obligations[260,261] $'000	Provision for product warranties $'000	Convertible notes $'000	Cash flow hedges $'000	Undistributed profits of foreign joint venture $'000	Total $'000
	At 1 January 2024	1,645	9,041	10,374	(10,274)	256	136	2,363	(655)	(303)	(3,486)	72	599	-	9,768
HKAS 12.81(d)	Effect on deferred tax balances resulting from a change in tax rate (note 6(a))	-	325	-	-	-	-	-	-	-	-	-	-	-	325
HKAS 12.81(g)(ii)	Charged/(credited) to profit or loss	1,141	(806)	251	(451)	(339)	(54)	157	(12)	(231)	(137)	(16)	-	8	(489)
HKAS 12.81(a)	Charged/(credited) to reserves	-	-	-	-	846	-	-	-	-	-	-	(95)	-	751
	At 31 December 2024 and 1 January 2025	2,786	8,560	10,625	(10,725)	763	82	2,520	(667)	(534)	(3,623)	56	504	8	10,355
HKAS 12.81(g)(ii)	Charged/(credited) to profit or loss	1,650	3,618	550	(660)	(464)	(62)	144	(8)	(119)	(402)	(16)	-	33	4,264
HKAS 12.81(a)	Charged/(credited) to reserves	-	-	-	-	2,138	-	-	-	-	-	-	(102)	-	2,036
	At 31 December 2025	**4,436**	**12,178**	**11,175**	**(11,385)**	**2,437**	**20**	**2,664**	**(675)**	**(653)**	**(4,025)**	**40**	**402**	**41**	**16,655**

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257 Subject to certain conditions, Hong Kong Inland Revenue Department ("IRD") allows lessees to claim tax deduction for the purposes of Hong Kong profits tax on the basis of either contractual lease payments (i.e. cash basis) or lease expenses recognised in profit or loss in accordance with HKFRS 16 (i.e. interest on lease liability and depreciation on right-of-use asset). In this illustration, it is assumed that HK Listco claims the tax deductions based on the contractual lease payments, and the deductions are attributed to its lease liabilities when determining the tax base for the purposes of HKAS 12. Accordingly, HK Listco recognises deferred tax on the temporary differences associated with its right-of-use assets and lease liabilities.

258 Under HKFRS 15, certain costs that were expensed as incurred may be eligible for capitalisation. In this illustration, it is assumed that under the relevant tax jurisdictions these costs are allowed for tax deductions on a cash basis and the group had already claimed tax deductions for the sales commissions in previous periods (see note 19). It has also been assumed that the eventual amortisation charge of this specific amount would not be tax deductible a second time around. The difference therefore results in recognition of a deferred tax asset.

259 In this illustration, it is assumed that under the relevant tax jurisdictions credit losses on financial instruments and contract assets are allowed for tax deductions only when they are actually "incurred" from a tax perspective and that additional credit losses recognised upon the initial application of HKFRS 9's ECL model are not allowed for immediate tax deduction. The recognition of these additional ECL therefore results in recognition of a deferred tax asset.

260 In accordance with paragraph 61A of HKAS 12, current and deferred tax should be recognised outside profit or loss if the tax relates to items that are recognised outside profit or loss. Under HKAS 19, remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income, and net interest on the net defined benefit liability (asset) and service cost are recognised in profit or loss. In cases of cash contributions to funded post-employment benefit plans, it may be difficult to determine how the related current income taxes should be allocated between profit or loss and OCI because the cash contribution itself does not affect the profit or loss or OCI and it may not be clear what the cash contribution is funding. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost, to which the funding relates, affects profit or loss or OCI. We believe that a number of allocation approaches are acceptable if the nature of the cash contribution is unclear, including the following:

- Approach A: allocate current income taxes first to profit or loss, to the extent of the tax effects of the total service cost and net interest recognised in profit or loss in the current period, and then allocate any residual amount to OCI;
- Approach B: allocate the entire amount of current income tax related to contributions to profit or loss; and
- Approach C: allocate the entire amount of income tax related to contributions to OCI.

In this illustration, HK Listco adopts approach B and allocates the entire amount of current income tax related to contributions to profit or loss.

261 IRD generally allows an entity to claim tax deduction on LSP for the purpose of Hong Kong profits tax when the entity becomes obliged to pay under the statutory requirements, and this could be later than when the LSP obligation is recognised in the financial statements under HKAS 19. On this basis, HK Listco recognised deferred tax asset on the additional deductible temporary difference arising from the increase in the LSP obligation when the Hong Kong SAR Government gazetted the 2022 Amendment Ordinance on 16 June 2022, assuming that taxable profit will be available against which the additional deductible temporary difference can be utilised.

(ii) Reconciliation to the consolidated statement of financial position

HKAS 1.77

	2025	2024
	$'000	$'000
Net deferred tax asset in the consolidated statement of financial position	**(2,539)**	(3,495)
Net deferred tax liability in the consolidated statement of financial position	**19,194**	13,850
	16,655	10,355

(c) Deferred tax assets not recognised

HKAS 12.81(e)

In accordance with the accounting policy set out in note 1(y), the group has not recognised deferred tax assets in respect of cumulative tax losses of $3,560,000 (2024: $2,480,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

HKAS 12.81(f) & 87

At 31 December 2025, temporary differences relating to the undistributed profits of subsidiaries amounted to $793,000 (2024: $640,000). Deferred tax liabilities of $238,000 (2024: $192,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31 PROVISIONS

Provision for electronic product warranties[262]

		$'000
HKAS 37.84(a)	At 1 January 2025[263]	**20,301**
HKAS 37.84(b)	Additional provisions made[264]	**12,439**
HKAS 37.84(c)	Provisions utilised	**(12,668)**
HKAS 37.84(a)	At 31 December 2025	**20,072**
	Less: amount included under "current liabilities"	**(10,900)**
		9,172

HKAS 37.85
HKAS 1.61

Under the terms of the group's sales agreements, the group offers warranties for its electronic products (see note 1(aa)(i)(a)). Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the warranty periods prior to the end of the reporting period. The amount of provision takes into account the group's recent claim experience and is only made where a warranty claim is probable. Where the group has the benefit of product liability insurance, a separate asset is recognised for any expected reimbursement that would be virtually certain if a warranty claim were to be made. As at the end of the reporting period $2,158,000 (2024: $1,752,000) is included within trade and other receivables in current assets in respect of such expected reimbursements (note 21(a)), of which an amount of $1,200,000 (2024: $960,000) is expected to be recovered after more than one year.

HKFRS 15.B29-B30 262 HKFRS 15 requires an entity to account for a warranty in accordance with HKAS 37 if the warranty is simply a promise to the customer that the product complies with agreed-upon specifications, and it is a standard promise given to customers, whether they ask for it or not. Such warranties are common and are often required by consumer protection legislation.

If, on the other hand, the customer has the option of whether or not to purchase the warranty, or the warranty provides the customer with a distinct service in addition to the assurance that the product complies with the agreed-upon specifications, then HKFRS 15 requires the warranty service to be accounted for as a separate performance obligation. In such cases, an entity needs to allocate part of the promised consideration to the warranty service (in accordance with paragraphs 73 to 86 of HKFRS 15) and recognise the related revenue only when it performs the warranty services, i.e. generally over the warranty period.

In this illustration, the product warranties are simply a promise to the customer that the product complies with agreed-upon specifications and hence the estimated costs of meeting any obligations under the warranties continue to be accounted for as a provision in accordance with HKAS 37.

HKAS 37.84 263 Comparative information is not required for the analysis of the movements in the provision, as HKAS 37 gives a specific exemption in this regard.

HKAS 37.84(e) 264 It is assumed that the provision has not been discounted on the grounds of materiality. If the provision has been discounted, the increase in the provision arising from the discount unwinding should be separately disclosed.

Sch 4, Part 1, Section 2(1)(b)
HKAS 1.79(b), 106(d)) & 108
HKAS 16.77(f)

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below[265]:

Company	Note	Share capital $'000	Capital reserve $'000	Property revaluation reserve $'000	Hedging reserve $'000	Fair value reserve (non-recycling) $'000	Retained profits $'000	Total $'000
Balance at 1 January 2024		175,000	134	751	869	85	142,022	318,861
Changes in equity for 2024:								
Total comprehensive income for the year		-	-	966	(99)	50	98,572	99,489
Dividends approved in respect of the previous year	32(b)	-	-	-	-	-	(45,000)	(45,000)
Equity settled share-based transactions		-	1,625	-	-	-	-	1,625
Dividends declared in respect of the current year	32(b)	-	-	-	-	-	(27,000)	(27,000)
Balance at 31 December 2024 and 1 January 2025	37	175,000	1,759	1,717	770	135	168,594	347,975
Changes in equity for 2025:								
Total comprehensive income for the year		-	-	1,405	(128)	90	117,867	119,234
Dividends approved in respect of the previous year	32(b)	-	-	-	-	-	(49,500)	(49,500)
Purchase of own shares	32(c)(iii)	-	-	-	-	-	(3,390)	(3,390)
Shares issued under share option scheme	32(c)(iv)	6,400	(400)	-	-	-	-	6,000
Equity settled share-based transactions		-	1,658	-	-	-	-	1,658
Dividends declared in respect of the current year	32(b)	-	-	-	-	-	(29,850)	(29,850)
Balance at 31 December 2025	37	**181,400**	**3,017**	**3,122**	**642**	**225**	**203,721**	**392,127**

265 As specifically required by section 2(1)(b) of Part 1 of Schedule 4 to the CO, when a company prepares consolidated financial statements, those financial statements should include a note disclosing the movement of the company's reserves.

D2(4)(3)

(b) Dividends[266]

HKAS 1.107

(i) Dividends payable to equity shareholders of the company attributable to the year

		2025 $'000	2024 $'000
	Interim dividend declared and paid of 30 cents per ordinary share (2024: 30 cents per ordinary share)	**29,850**	27,000
HKAS 1.137(a) HKAS 10.13	Final dividend proposed after the end of the reporting period of 60 cents per ordinary share (2024: 55 cents per ordinary share)	**59,700**	49,500
		89,550	76,500

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2025 $'000	2024 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 55 cents per share (2024: 50 cents per share)	**49,500**	45,000

(iii) Dividends on redeemable preference shares issued by the company

HKAS 1.79(a)

Dividends on redeemable preference shares are paid semi-annually in arrears at a rate of 5% per annum of the shares' face value on 30 June and 31 December each year as from their issue date of 1 January 2024. Dividends of $100,000 (2024: $100,000) were paid during the period and unpaid dividends of $100,000 (2024: $100,000) were accrued and presented in "Other current liabilities" as at 31 December 2025. Dividends on redeemable preference shares are included in finance costs (note 5(a)).

HKAS 1.107 & 113 [266] Paragraph 107 of HKAS 1 requires entities to disclose either in the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to owners during the period and the related amount per share.

(c) Share capital

(i) Issued share capital

		2025		2024	
		No. of shares ('000)	**$'000**	No. of shares ('000)	$'000
HKAS 1.79(a)(ii) & (iv)	**Ordinary shares, issued and fully paid:**				
	At 1 January	**90,000**	**175,000**	90,000	175,000
	Bonus issue	**9,000**	**-**	-	-
	Shares repurchased[267]	**(500)**	**-**	-	-
	Shares issued under share option scheme	**1,000**	**6,000**	-	-
	Transfer from capital reserve	**-**	**400**	-	-
	At 31 December	**99,500**	**181,400**	90,000	175,000

HKAS 1.79(a)(iii)

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

CP

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

	2025		2024	
	No. of shares ('000)	**$'000**	No. of shares ('000)	$'000
Redeemable preference shares, issued and fully paid:				
At 1 January	**4,000**	**4,000**	-	-
Shares issued	**-**	**-**	4,000	4,000
At 31 December	**4,000**	**4,000**	4,000	4,000

CP

Redeemable preference shares do not carry the right to vote. On liquidation of the company the redeemable preference shareholders would participate only to the extent of the face value of the shares adjusted for any dividends in arrears. Based on their terms and conditions, the redeemable preference shares have been presented as liabilities in the statement of financial position. Further details of these terms are set out in note 25(b)(iii).

(ii) Bonus issue

C(DR)R.5

On 8 January 2025, the company made a bonus issue on the basis of 1 bonus share for every 10 existing shares held by shareholders in recognition of their continual support. A total of 9,000 ordinary shares were issued pursuant to the bonus issue.

(iii) Purchase of own shares

D2(10)(4)
R10.06(4)(b)

During the year, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	*Number of shares repurchased*	*Highest price paid per share*	*Lowest price paid per share*	*Aggregate price paid*
		\$	*\$*	*\$'000*
February 2025	*300,000*	*6.85*	*6.75*	*2,040*
May 2025	*200,000*	*6.80*	*6.70*	*1,350*
				3,390

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of \$3,390,000 was paid wholly out of retained profits.[267]

(iv) Shares issued under share option scheme

D2(10)(2)

On 1 February 2025, options were exercised to subscribe for 1,000,000 ordinary shares in the company at a consideration of \$6,000,000, all of which was credited to share capital. \$400,000 was transferred from the capital reserve to the share capital account in accordance with the policy set out in note 1(x)(iii).

HKAS 1.79(b)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

- the portion of the grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(x)(iii); and
- the amount allocated to the unexercised equity component of convertible notes issued by the company recognised in accordance with the accounting policy adopted for convertible notes in note 1(w)(i).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 1(i)(ii) and 1(bb).

[267] When a company repurchases the shares out of distributable profits under section 257 of the CO, it should record the debit entry to its "retained profits" and reduce the number of shares in issue for the shares cancelled under section 269 of the CO.

For overseas incorporated companies, the relevant overseas legislation in relation to repurchase of shares would need to be followed.

(iii) Property revaluation reserve

The property 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 1(k).

HKAS 16.77(f)

The property revaluation reserve of the company is distributable to the extent of $567,000 (2024: $250,000)[268].

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(i)(i).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

HKAS 1.134 & 135

(e) Capital management[269]

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2025, the group's strategy, which was unchanged from 2024, was to maintain the adjusted net debt-to-capital ratio at the lower end of the range [●]% to [●]%. In order to maintain or adjust the ratio, the group may adjust the amount of dividends paid to

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268 As discussed in footnote 15, Part 6 of the CO "Distribution of profits and assets" contains provisions that deal with distribution of profits and assets by a company incorporated under the CO to its members. The provisions of Part 6 are closely based on the equivalent requirements of the predecessor Companies Ordinance (Cap. 32). For example, under section 292(5) of the CO, property revaluation reserve can be treated as realised to the extent that depreciation charged to the statement of profit or loss/the statement of profit or loss and other comprehensive income on revalued assets exceeds the amount that would have been charged based on the historical cost of those assets. This is consistent with the previous requirements in section 79K(2) of the predecessor Companies Ordinance.

HKAS 1.134 & 135

269 Paragraphs 134 and 135 of HKAS 1 require an entity to disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing "capital", based on the information provided internally to the entity's key management personnel. Because of this "management focus", the extent and level of disclosures will vary from one entity to another. As acknowledged in paragraph 135(b) of HKAS 1, the "capital" that an entity manages may not necessarily be equal to equity as defined in HKFRS Accounting Standards and might also include or exclude some other components. For example, it might include some financial instruments, such as preference shares, which are presented as liabilities in the financial statements, and exclude some items, such as components of equity arising from cash flow hedges. To facilitate comparison across different entities, paragraph 135(a)(i) of HKAS 1 requires an entity to provide a description of what it manages as "capital".

Paragraphs 134 and 135 of HKAS 1 do not prescribe the format of the information required to be disclosed and entities should exercise judgement in deciding the appropriate way to satisfy these requirements. In this regard, paragraphs IG10 and IG11 of HKAS 1 provide two examples, one for an entity that is not a regulated financial institution and the other for an entity that is subject to externally imposed capital requirements (see footnote 270). These examples serve as a starting point for entities to consider what information to disclose to reflect their individual circumstances.

shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The group's adjusted net debt-to-capital ratio at 31 December 2025 and 2024 was as follows:

	Note	2025	2024
		$'000	$'000
Current liabilities:			
Interest-bearing borrowings	25	**4,728**	4,598
Bank loans and overdrafts	26	**28,490**	35,716
Lease liabilities	27	**21,329**	15,271
		54,547	55,585
Non-current liabilities:			
Interest-bearing borrowings	25	**74,802**	72,251
Lease liabilities	27	**48,963**	53,202
Total debt		**178,312**	181,038
Add: Proposed dividends	32(b)	**59,700**	49,500
Less: Cash and cash equivalents	22	**(76,580)**	(105,088)
Redeemable preference shares	25	**(3,912)**	(3,912)
Adjusted net debt		**157,520**	121,538
Total equity		**560,447**	487,673
Add: Redeemable preference shares	25	**3,912**	3,912
Less: Hedging reserve	32(d)	**(1,897)**	(2,378)
Proposed dividends	32(b)	**(59,700)**	(49,500)
Adjusted capital		**502,762**	439,707
Adjusted net debt-to-capital ratio		**31%**	28%

Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements[270].

HKAS 1.135 & 136 [270] When an entity is subject to externally imposed capital requirements (for example, a bank that is subject to the maintenance of a specified capital adequacy ratio imposed by the relevant banking regulator), paragraph 135 of HKAS 1 requires disclosure of the nature of those requirements and how those requirements are incorporated into the management of capital. If the entity has not complied with these requirements, the consequences of such non-compliance should also be disclosed.

An entity may be subject to a number of different externally imposed capital requirements (for example, a conglomerate may include entities that undertake insurance activities and banking activities) and may manage capital in a number of ways. Where an aggregate disclosure of these capital requirements and how capital is managed would not provide useful information or would distort a financial statement user's understanding of the entity's capital resources, the entity should disclose separate information for each capital requirement to which the entity is subject.

33 FINANCIAL RISK MANAGEMENT[271] AND FAIR VALUES OF FINANCIAL INSTRUMENTS[272]

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

HKFRS 7.1

271 HKFRS 7 sets out disclosure requirements relating to an entity's exposure to risks arising from financial instruments and is applicable to all entities that hold financial instruments.

The objective of HKFRS 7 is to require entities to provide information that enables users of financial statements to evaluate:

- the significance of financial instruments for an entity's financial position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

HKFRS 7.7, 31, & B3

In order to meet this objective HKFRS 7 sets out both qualitative and quantitative minimum disclosure requirements. However, HKFRS 7 does not prescribe either the format of the information required to be disclosed or its location within the financial statements and/or other reports. Instead, the standard states that it is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users and obscuring important information as a result of too much aggregation (see paragraph B3 of HKFRS 7).

An entity should therefore decide, in light of its circumstances, how much detail it needs to provide to satisfy the requirements of the standard, including how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It should also be noted that HKFRS 7 introduces the concept of looking first to information provided internally to key management personnel (as defined in HKAS 24, *Related party disclosures*), for example the entity's board of directors or chief executive officer, as a source of quantitative data on the entity's exposure to financial risks. Basing disclosures on information used by key management personnel provides information about how management views and manages its risk, as well as about the risks themselves, which the IASB considered was useful information for users (as discussed in paragraph BC47 of HKFRS 7). The IASB also considered this approach has practical advantages for preparers because it allows them to use the data they use in managing risk. The requirements of HKFRS 7 in this regard are discussed further in footnote 274.

In practice, the requirements of HKFRS 7 will be met by a combination of narrative descriptions and quantitative data, as appropriate to the nature of the instruments and their relative significance to the entity. This information may be either included in the various notes that refer to the specific financial instruments and/or included in a separate note. A mixed approach is illustrated here, as can be seen from the references to HKFRS 7 throughout the notes to the illustrative financial statements and the specific note 33 which provides the additional risk and fair value disclosures required by the standard.

HKFRS 7.32A

Paragraph 32A of HKFRS 7 emphasises the interaction between qualitative and quantitative disclosures by stating that providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments.

HKFRS 7.B6

Additionally, paragraph B6 of HKFRS 7 explicitly provides for the financial risk disclosures, as set out in paragraphs 31 to 42 of HKFRS 7, to be given either in the financial statements or incorporated by cross-reference from the financial statements to some other statement that is not part of the financial statements, such as a management commentary, provided it is available to users of financial statements on the same terms as the financial statements and at the same time. Including all disclosures required by HKFRS Accounting Standards within the financial statements themselves helps users in differentiating between disclosures that are required by HKFRS Accounting Standards and other information. However, if such information is presented outside the financial statements, then in our view it should be marked clearly as being part of the disclosures required by HKFRS Accounting Standards and cross-referenced to the financial statements. An entity could identify such information as, for example, "information that is an integral part of the audited financial statements" or "disclosures that are required by HKFRS Accounting Standards".

HKFRS 13.91

272 As mentioned in footnote 163, the disclosure objectives of HKFRS 13 are:

- to provide information that enables users of financial statements to assess the methods and inputs used to develop those measurements, and
- to assess the effect on profit or loss or other comprehensive income of recurring fair value measurements that are based on significant unobservable inputs.

As indicated in these disclosure objectives, HKFRS 13 disclosures aim at helping users understand how the entity determines the fair values of assets and liabilities (both financial and non-financial) recognised in the statement of financial position; and how its financial performance is impacted by the measurement uncertainty and subjectivity involved in determining the fair values as a result of using significant unobservable inputs in the valuations. On the other hand, HKFRS 7's disclosure objectives, as introduced in footnote 271 above, focus on helping users understand the entity's risk exposure associated with financial instruments and how the entity manages the risk.

The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.[273]

HKFRS 7.31-35

(a) Credit risk[273, 274, 275]

HKFRS 7.31 & 33

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 and contract assets. The group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with a minimum credit rating of [●] assigned by [rating agency X], which the group considers to represent low credit risk. The group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

HKFRS 7.32-33

[273] HKFRS 7 requires disclosure of qualitative information concerning risks arising from financial instruments and how the entity manages the risks. In particular, HKFRS 7 requires the following to be disclosed for each type of risk arising from financial instruments:

- the exposures to risk and how they arise;
- the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk; and
- any changes in either of the above from the previous period.

Risks that typically arise from financial instruments are identified in paragraph 32 of HKFRS 7 as including, but not being limited to, credit risk, liquidity risk and market risk (which in turn comprises currency risk, interest rate risk and other price risk). Paragraphs IG15 and IG16 of HKFRS 7 list examples of information that an entity might consider disclosing in this regard.

HKFRS 7.34-42 & B6-B28

[274] Paragraph 34 of HKFRS 7 requires disclosure of summary quantitative data about an entity's exposure to each type of risk arising from financial instruments at the end of the reporting period. This disclosure should be given based on the information provided internally to key management personnel of the entity, for example, the board of directors or chief executive officer, and is therefore expected to vary from one entity to another.

It should, however, be noted that certain minimum disclosures (as set out in paragraphs 35A to 42 of HKFRS 7) are also required to the extent that they are not covered by the disclosures made under the above management approach, and if the risk concerned is material. These include sensitivity analyses, as required by paragraph 40, as discussed further in footnote 287. In addition, concentrations of risk that arise from financial instruments having similar characteristics (for example, counterparty, geographical area, currency or market) are also required to be disclosed if such concentrations are not apparent from the above information.

If the above quantitative disclosures of exposures at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, the entity should provide additional information that is representative. For example, paragraph IG20 of HKFRS 7 indicates that if the entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose the highest, lowest and average amount of risk to which it was exposed during the year.

HKFRS 7.35B-35D

[275] HKFRS 7 as amended by HKFRS 9 requires more granular credit risk disclosures. Specifically, HKFRS 7 requires an entity to disclose:

- information about the entity's credit risk management practices and how they relate to the recognition and measurement of ECL (paragraphs 35F and 35G);
- quantitative and qualitative information that allows users of financial statements to evaluate the amount in the financial statements arising from ECL (paragraphs 35H to 35L); and
- information about the entity's exposure to credit risk, including significant concentrations of credit risk (paragraphs 35M and 35N).

Entities do not need to duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements where the information is disclosed, and those statements are available to the financial statement users on the same terms as the financial statements and at the same time.

Entities should consider the level of detail that is necessary to meet the disclosure objectives.

HKFRS 7.35K(a) & 36(a)

Except for the financial guarantee given by the group as set out in note 23(a), the group does not provide any other guarantees which would expose the group to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the end of the reporting period is disclosed in note 23(a).[276]

Trade receivables and contract assets

HKFRS 7.33(a),(b), 35B(a) & 35B(c)

The group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within [●] days from the date of billing. Debtors with balances that are more than [●] months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

The group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, [●]% (2024: [●]%), [●]% (2024: [●]%) and [●]% (2024: [●]%) of the total trade receivables and contract assets was due from the group's largest customer, the second largest customer and the five largest customers respectively within the electronics business segment.

HKFRS 7.35B(a) & 35F(c)

The group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The group segments its trade receivables and contract assets based on geographic regions, due to different loss patterns experienced in the different regions[277].

HKFRS 7.36(a)

[276] Paragraph 36(a) of HKFRS 7 requires disclosure of the amount, by class of financial instrument, that best represents the entity's maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements. This disclosure is only required for financial instruments whose carrying amount does not best represent the maximum exposure to credit risk, for example financial guarantees and loan commitments.

HKFRS 9.B5.5.5

[277] If the historical credit loss experience shows significantly different loss patterns for different customer segments, the trade receivables and contract assets should be further segmented based on shared credit risk characteristics. These segments could be based on geographic region, product type, customer rating, type of customers (e.g. retail or wholesale) etc. In this illustration, HK Listco segments the trade receivables and contract assets based on geographic regions.

HKFRS 7.35G(a)(i), 35M(b)(iii), 35N & B8I

The following table provides information about the group's exposure to credit risk and ECLs for trade receivables and contract assets: [278]

	2025		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**$'000**	**$'000**
Hong Kong			
Current (not past due)	**0.5%**	**36,509**	**(183)**
1-30 days past due	**2.7%**	**9,990**	**(270)**
31-60 days past due	**5.1%**	**7,666**	**(391)**
61-90 days past due	**20.8%**	**2,012**	**(418)**
More than 90 days past due	**43.7%**	**2,248**	**(982)**
		58,425	**(2,244)**
South East Asia			
Current (not past due)	**0.4%**	**6,636**	**(26)**
1-30 days past due	**1.8%**	**1,404**	**(25)**
31-60 days past due	**3.1%**	**801**	**(25)**
61-90 days past due	**14.6%**	**287**	**(42)**
More than 90 days past due	**30.8%**	**253**	**(78)**
		9,381	**(196)**
Rest of the world			
Current (not past due)	**0.7%**	**7,691**	**(54)**
1-30 days past due	**1.5%**	**2,161**	**(32)**
31-60 days past due	**7.6%**	**3,003**	**(228)**
61-90 days past due	**17.6%**	**1,588**	**(279)**
More than 90 days past due	**53.8%**	**1,500**	**(807)**
		15,943	**(1,400)**

HKFRS 7.35M, 35N & B8I

278 Paragraph 35M of HKFRS 7 requires the disclosure about an entity's credit risk exposure to be by credit risk rating grades. Credit risk rating grades are defined in the Appendix A to HKFRS 7 as the rating of credit risk based on the risk of a default occurring on the financial instrument. Credit risk rating grades used for disclosure should be consistent with those the entity reports to key management personnel for credit risk management purposes. For example, an entity may manage and report to key management personnel about information on its listed debt securities by external credit ratings provided by rating agencies. In that case, the entity would disclose its credit risk exposure to those listed debt securities based on the external credit ratings. Alternatively, an entity may have developed an internal credit rating system whereby each of its financial asset is assigned a rating representing the risk of default, in which case the disclosure of credit risk exposure would be based on the internal credit ratings developed. However, if delinquency and past due information is the only borrower-specific information available without undue cost or effort and this information is used to assess whether credit risk has significantly increased since initial recognition, then in such cases, an entity should provide the analysis by "past due" status rather than by credit risk rating grades.

Paragraph 35N of HKFRS 7 provides an exception to the general disclosure requirements in paragraph 35M for trade receivables, contract assets and lease receivables to which the simplified approach applies (i.e. the loss allowance is always measured at an amount equal to lifetime ELCs). Paragraph 35N allows an entity to disclose its credit risk exposure to those assets based on a provision matrix. We have illustrated here an example of disclosure based on a provision matrix. Other presentations may be appropriate.

	2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	$'000	$'000
Hong Kong			
Current (not past due)	0.5%	29,705	(149)
1-30 days past due	2.8%	4,916	(138)
31-60 days past due	5.0%	5,030	(252)
61-90 days past due	26.9%	1,373	(369)
More than 90 days past due	47.3%	1,451	(687)
		42,475	(1,595)
South East Asia			
Current (not past due)	0.6%	19,814	(119)
1-30 days past due	2.5%	1,407	(35)
31-60 days past due	4.6%	824	(38)
61-90 days past due	15.0%	301	(45)
More than 90 days past due	32.7%	269	(88)
		22,615	(325)
Rest of the world			
Current (not past due)	0.5%	7,866	(39)
1-30 days past due	3.1%	2,319	(72)
31-60 days past due	8.3%	3,271	(271)
61-90 days past due	23.6%	1,994	(471)
More than 90 days past due	54.2%	1,873	(1,015)
		17,323	(1,868)

Expected loss rates are based on actual loss experience over the past [●] months. 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.

HKFRS 7.35B(b) & 35H

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	Hong Kong $'000	South East Asia $'000	Rest of the world $'000	Total $'000
Balance at 1 January 2024	1,378	280	2,060	3,718
Amounts written off	(713)	(107)	(830)	(1,650)
Impairment losses recognised (HKFRS 15.113(b))	1,595	325	1,868	3,788
Impairment losses reversed	(665)	(173)	(1,230)	(2,068)
Balance at 31 December 2024	1,595	325	1,868	3,788
Balance at 1 January 2025	1,595	325	1,868	3,788
Amounts written off	(871)	(399)	(978)	(2,248)
Impairment losses recognised (HKFRS 15.113(b))	2,244	382	1,400	4,026
Impairment losses reversed	(724)	(112)	(890)	(1,726)
Balance at 31 December 2025	2,244	196	1,400	3,840

HKFRS 7.35I & B8D

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of $[●] (2024: $[●]);
- increase in days past due over 30 days resulted in an increase in loss allowance of $[●] (2024: $[●]); and
- a write-off of trade receivables with a gross carrying amount of $[●] (2024: $[●]) resulted in a decrease in loss allowance of $2,248,000 (2024: $1,650,000).

Credit risk arising from loans to associates

HKFRS 7.35K

The loans to associates are fully secured by properties held by the associates. The maximum exposure to credit risk in respect of the loans at the end of the reporting period, without taking into account the collateral, and the key terms of the loans are disclosed in note 17. The group considers that the credit risk arising from the loans is significantly mitigated by the properties held as collateral, with reference to the estimated market value of the properties at 31 December 2025 which gave rise to a headroom of $[●] over the gross carrying amount of the loans (2024: a headroom of $[●]).

(b) Liquidity risk[273, 274, 279]

HKFRS 7.31-35

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.

HKFRS 7.B11F(j), IG18A

As disclosed in note 26(c), the group has entered into certain reverse factoring arrangements with banks, under which the group obtained extended credit in respect of the invoice amounts owed to certain suppliers of household electronic materials. This results in the group being required to settle a larger amount with a single counterparty, rather than smaller amounts with several counterparties. However, the amounts of payables subject to the arrangements are limited.

HKFRS 7.39(c)

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.[282]

HKFRS 7.39 & B10A-11F

279 In respect of minimum quantitative disclosures concerning liquidity risk, paragraph 39 of HKFRS 7 requires disclosure of a maturity analysis for financial liabilities and a description of how an entity manages the liquidity risk inherent in the analysis. This maturity analysis should show the remaining contractual maturities for non-derivative liabilities and for those derivative liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows. For other derivatives, it appears that in accordance with paragraph 34(a), the maturity analysis should be based on the information provided internally to key management personnel, even if this is based on expected cash flows and their expected timing.

Similar to other disclosure requirements under HKFRS 7, the standard does not specify the format of the information required, for example, the number of time bands to be used in the maturity analysis (although suggested time bands are set out in paragraph B11 of HKFRS 7). Entities should use their judgement to determine what is appropriate in view of their circumstances and with due regard to the information provided internally to key management personnel.

Paragraphs B11A to 11F of HKFRS 7 contain further specific requirements concerning how any maturity analysis of contractual cash flows should be presented. In particular:

- It is clear from paragraph B11D that any contractual cash flows to be disclosed in the analysis should be the gross (i.e. undiscounted) cash flows. These contractual amounts will be different from the amounts recognised in the statement of financial position if the amounts are not due within the short term or payable on demand, as the contractual cash flows will include interest charges, if any, which are payable over the period until the principal is contractually repayable as well as the gross amounts of any principal repayments. Paragraph B11C(a) further states that when a counterparty can ask for payment at different dates, the liability should be included on the basis of the earliest date on which the entity can contractually be required to pay. This means that the disclosure shows a "worst case scenario" for the possible timing of these gross outflows.
- It is clear from paragraph B11A that embedded derivatives (such as conversion options) should not be separated from hybrid financial instruments when disclosing contractual maturities. Instead the contractual cash flows for the instrument as a whole should be disclosed.
- Where a variable amount is contractually payable, paragraph B11D requires that the amount disclosed in the maturity analysis should be determined by reference to the conditions existing at the end of the reporting period. For example, when interest charges are contractually determined by reference to a floating rate of interest, the amount disclosed in the maturity analysis would be based on the level of the index at the end of the reporting period.
- Where the entity has issued a financial guarantee, paragraph B11C(c) states that the maximum amount that could be payable under the guarantee should be allocated to the earliest period in which the guarantee could be called. This disclosure is not dependent on whether it is probable that the entity will be required to make payments under the contract.

However, HKFRS 7 does not include any specific guidance which deals with the question of how to analyse gross cash flows arising under perpetual debt. In this regard, whilst the principal amount of the debt does not give rise to liquidity risk for the entity (as the timing of repayment is neither contractually fixed nor under the control of the holder), any contractual periodic payments of interest would generally give rise to liquidity risk and should be included in the maturity analysis in the discrete time bands of, for example, "within one year" and "more than one year but less than two years" and so on. However, as there is, by definition, no fixed end date to the stream of periodic interest payments on perpetual debt, the gross cash flows to be included in the final non-discrete time band (being here defined as "more than five years") generally cannot be properly determined. To deal with this issue where the effect is material, in our view, the entity should include a footnote disclosure which highlights the existence of these gross payments to perpetuity and explains the extent to which they have been dealt with in the analysis.

HKAS 1.76ZA(a)

As disclosed in note 26(b), all of the group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants the related loans would become payable on demand, The group did not identify any difficulties complying with the covenants. Information about the covenants for those bank loans classified as non-current at the end of the reporting period is set out below:[280]

Loans	Carrying amount **2025** **$'000**	2024 $'000	Covenant(s)	Timing to comply with the covenant(s)
Loan A	**5,744**	-	(i) Total debt to total asset ratio shall be less than 50% (ii) Ratio of earnings before interest, tax, depreciation and amortisation to interest expense of the group shall be higher than 2 times	Semi-annually in March and September
Loan B	**4,807**	4,807	Adjusted net debt-to-capital ratio (as defined in note 32(e)) shall not be higher than 40%	Annually in April
Loan C	**6,105**	5,989	Credit rating of the company does not fall below BBB+ based on the S&P credit rating scale	At any time throughout the loan term
Loan D	**28,575**	27,881	(i) Net tangible equity (defined as total equity less non-controlling interest and goodwill) shall not be less than HK$350 million (ii) Adjusted net debt (as defined in note 32(e)) shall not exceed 50% of net tangible equity	At the end of each quarter of financial year

HKFRS 7.39(a) & (b)

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[279]
- 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.[281]

HKAS 1.76ZA(a) [280] Amendments to HKAS 1, *Non-current liabilities with covenants*, which are effective for annual period beginning on or after 1 January 2024, introduced new disclosure requirements under which entities should disclose information about non-current liabilities arising from loan arrangements which are subject to compliance with covenants within twelve months after the reporting period, including:

- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- the carrying amount of the related liabilities.

PS 2.81-83 When determining the extent of information to be disclosed about covenants, entities should consider the materiality of the existence or terms of the covenants, and both the consequences of a covenant breach occurring (that is, the impact a covenant breach would have on the entity's financial position, financial performance and cash flows) and the likelihood of a covenant breach occurring. In this illustration, HK Listco did not disclose bank loans that are immaterial in amount as the consequence of the covenant breach would not have a material impact on its financial position, and HK Listco also did not disclose covenants that it considers unlikely to be breached e.g. clauses related to change in control or failure to submit its annual audited financial statements within 180 days of its fiscal year end.

HKAS 1.76ZA(b) Additionally, if there exist facts and circumstances that indicate the entity may have difficulty complying with the covenants (for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach), such facts and circumstances should be disclosed. This could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period. In this illustration, it is assumed that HK Listco does not foresee any difficulties complying with the covenants.

HKFRS 7.B10A [281] Where quantitative data about exposure to liquidity risk is based on information provided internally to key management personnel (i.e. in accordance with paragraph 34(a) of HKFRS 7) rather than contractual maturities, paragraph B10A requires an entity to explain how the liquidity risk data are determined. In addition, if the outflows of cash (or another financial asset) included in this liquidity risk data could either:

- occur significantly earlier than indicated in the data (for example if repayable on demand); or
- be for significantly different amounts from those indicated in the data (for example, if a counterparty could demand gross settlement for a derivative that is included in the data on a net settlement basis)

then the entity should state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk (unless the information has already been provided in the contractual maturity analysis required by paragraph 39 of HKFRS 7).

In this illustration, it is assumed that the information provided to HK Listco's key management personnel for liquidity risk management purposes regarding the term loan with repayment on demand clauses is based on the repayment schedule rather than the earliest date it could be required to be repaid, because its key management personnel does not consider probable that the bank will exercise its discretion to demand repayment. Accordingly, HK Listco has disclosed such fact and provided additional quantitative information supplementing the contractual maturity analysis required by paragraph 39(a) of HKFRS 7, by way of adjustments that show the difference between contractual and expected cashflows. Entities should consider their specific facts and circumstances and determine if additional disclosures should be provided. Other approaches to disclose the additional information are acceptable provided that they meet the disclosure requirement in paragraph B10A of HKFRS 7 and are not misleading.

HKFRS 7.B11E-11F [282] Paragraph 39(c) of HKFRS 7 requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative liquidity risk disclosures. In this regard, paragraph B11E requires an entity to disclose a maturity analysis of the financial assets it holds for managing the liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. Paragraph B11F lists out other factors that an entity might consider including in this disclosure.

[283] In this illustration, when HK Listco determines the time bands in which the contractual cashflows associated with its loan arrangements are to be included in the maturity analysis under paragraph 39(a) of HKFRS 7, although not required by the standard it has made reference to the classification principles in HKAS 1 and has not taken into account the fact that its right to defer settlement or to rollover is conditional upon the fulfilment of covenants in the future. However, if the counterparty of a loan has the discretion to demand repayment at any time irrespective of the fulfilment of covenants, as is the case for the bank loan identified in note (i) to the maturity analysis in the next page, the related contractual cashflows are required by paragraph B11C(a) of HKFRS 7 to be presented in the earliest time band the entity can be required to repay. This approach is consistent with the illustrative maturity analysis included in the HKICPA guidance "Illustrative disclosures in respect of Hong Kong Interpretation 5".

		2025 Undiscounted cash outflow						2024 Undiscounted cash outflow					
		Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000	$'000	$'000
	Sustainability-linked bond	**400**	**400**	**1,200**	**5,400**	**7,400**	**5,000**	400	400	1,200	5,800	7,800	5,000
	Convertible notes	**550**	**10,550**	**-**	**-**	**11,100**	**9,542**	550	550	10,550	-	11,650	9,356
	Redeemable preference shares and dividends payable	**200**	**200**	**4,400**	**-**	**4,800**	**4,012**	200	200	4,600	-	5,000	4,012
HKFRS 7.B11C(a)	Term loan subject to repayment on demand clauses (note (i))[283]	**6,000**	**-**	**-**	**-**	**6,000**	**5,744**	-	-	-	-	-	-
	Bank loan drawn under a revolving loan facility[283]	**-**	**-**	**5,000**	**-**	**5,000**	**4,807**	-	-	5,000	-	5,000	4,807
	Other bank loans[283]	**23,914**	**5,964**	**55,051**	**7,365**	**92,294**	**72,084**	40,156	3,715	55,045	9,967	108,883	82,795
HKFRS 16.58	Lease liabilities	**22,010**	**23,105**	**29,360**	**6,205**	**80,680**	**70,292**	15,766	16,880	42,674	6,414	81,734	68,473
	Loans from fellow subsidiaries	**251**	**242**	**3,145**	**-**	**3,638**	**2,665**	106	136	150	1,161	1,553	906
	Loans from non-controlling shareholders of a subsidiary	**338**	**360**	**3,480**	**-**	**4,178**	**3,000**	338	360	3,880	-	4,578	3,000
	Bills payable, creditors and accrued charges	**151,413**	**-**	**-**	**-**	**151,413**	**151,413**	134,507	-	-	-	134,507	134,507
	Amounts due to ultimate holding company	**2,000**	**-**	**-**	**-**	**2,000**	**2,000**	1,800	-	-	-	1,800	1,800
	Amounts due to fellow subsidiaries	**3,650**	**-**	**-**	**-**	**3,650**	**3,650**	3,780	-	-	-	3,780	3,780
	Bank overdrafts	**1,266**	**-**	**-**	**-**	**1,266**	**1,266**	2,789	-	-	-	2,789	2,789
	Interest rate swaps (net settled)	**23**	**29**	**116**	**-**	**168**	**128**	9	15	51	-	75	52
	Contractual undiscounted cash outflow	**212,015**	**40,850**	**101,752**	**18,970**	**373,587**	**335,603**	200,401	22,256	123,150	23,342	369,149	321,277
HKFRS 7.B10A	Adjustments to reflect expected timing of cash flows based on repayment schedules:[281]												
	Term loan subject to repayment on demand clauses (note (i))												
	- principal amount	**(6,000)**	**-**	**6,000**	**-**	**-**		-	-	-	-	-	
	- interest amount	**180**	**180**	**180**	**-**	**540**		-	-	-	-	-	
	Expected undiscounted cash outflow	**206,195**	**41,030**	**107,932**	**18,970**	**374,127**		200,401	22,256	123,150	23,342	369,149	
	Financial guarantee issued: Maximum amount guaranteed (note 23(a))	**200**	**-**	**-**	**-**	**200**	**6**	500	-	-	-	500	8

	2025 Contractual undiscounted cash inflow/(outflow)					2024 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years but less than 5 years $'000**	**More than 5 years $'000**	**Total $'000**	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000
Derivatives settled gross:										
Forward foreign exchange contracts held as cash flow hedging instruments (note 33(d)(i)):										
- outflow	**(158,040)**	**-**	**-**	**-**	**(158,040)**	(142,260)	-	-	-	(142,260)
- inflow	**157,176**	**-**	**-**	**-**	**157,176**	143,315	-	-	-	143,315
Other forward foreign exchange contracts (note 33(d)(ii)):										
- outflow	**(15,384)**	**-**	**-**	**-**	**(15,384)**	(3,618)	-	-	-	(3,618)
- inflow	**15,129**	**-**	**-**	**-**	**15,129**	3,589	-	-	-	3,589

Note:

(i) In August 2025, the group obtained a three-year term loan from a bank amounting to $6,000,000. The loan agreement contains clauses that give the bank the right to demand immediate repayment at any time at its sole discretion, irrespective of whether the group has complied with the covenants stated in the agreement and met the scheduled repayment obligations. This loan has been classified as current liabilities and included in the "within 1 year or on demand" time band in the maturity analysis for contractual undiscounted cash outflows. However, the group does not consider probable that the bank will exercise its discretion to demand repayment, taking into account such consideration as the prevailing market conditions, its relationships with finance providers and the status of compliance with loan provisions to date. Accordingly, the analysis also includes the expected undiscounted cash outflows where the future cash outflows are adjusted based on the scheduled repayment dates.[281]

HKFRS 7.39(c) As shown in the above analysis, bank loans amounting to $34,878,000 were due to be repaid during 2026. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the end of the reporting period by re-financing $10,000,000 of the loan, as disclosed in note 38(c).

HKFRS 7.31-35 & 40-42

(c) Interest rate risk[273, 274]

HKFRS 7.22A

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The group has a policy of ensuring that between [●]% and [●]% of its borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial liabilities or through the use of interest rate swaps. The group's interest rate risk profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk[284]

HKFRS 7.22B(a) & 24A

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the group's variable rate bank borrowings at the end of the reporting period:

	2025	2024
	$'000	$'000
Notional amount	**40,000**	40,000
Carrying amount (note)		
- Asset	**1,664**	1,489
- Liability	**(128)**	(52)

Note:
Interest rate swap assets and liabilities are included in the "Derivative financial instruments" (note 18).

HKFRS 7.23A & 23B

The swaps mature over the next [●] years matching the maturity of the related loans (see note 33(b)) and have fixed swap rates ranging from [●]% to [●]% (2024: [●]% to [●]%).

HKFRS 7.22B & 23D

The group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

HKFRS 7.21A, 21B & 21D

284 HKFRS 7 includes additional information to be disclosed when hedge accounting is applied. The disclosure requirements apply irrespective of whether HKAS 39 or HKFRS 9 hedge accounting is used (at the initial application of HKFRS 9, an entity had a choice to continue to apply the hedge accounting requirements under HKAS 39).

The objective of the hedge accounting disclosures is that entities shall disclose information about:

- the risk management strategy and how it is applied to manage risks (paragraphs 22A to 22C);
- how risk management activities may affect the amount, timing and uncertainty of future cash flows (paragraphs 23A to 23F); and
- the effect of hedge accounting has had on the statement of financial position, the statement of comprehensive income and the statement of changes in equity (paragraphs 24A to 24G).

Entities do not need to duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements where the information is disclosed, and those statements are available to the financial statement users on the same terms as the financial statements and at the same time.

In applying this objective, entities need to consider the necessary level of detail, the balance between different disclosure requirements, the appropriate level of disaggregation and whether additional explanations are necessary to meet the objective.

HKFRS 7.24B(b)(i), (ii) 24C(b), 24E & 24F

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2025	2024
	$'000	$'000
Balance at 1 January	**951**	858
Effective portion of the cash flow hedge recognised in other comprehensive income	**196**	159
Amounts reclassified to profit or loss (note (i))	**(98)**	(80)
Related tax	**(17)**	14
Balance at 31 December (note (ii))	**1,032**	951
Change in fair value of the interest rate swaps during the year	**197**	160
Hedge ineffectiveness recognised in profit or loss (note (iii))	**(1)**	(1)
Effective portion of the cash flow hedge recognised in other comprehensive income	**196**	159

Notes:

(i) Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 5(a)).

(ii) The entire balance in the hedging reserve relates to continuing hedges[285].

(iii) Hedge ineffectiveness is recognised in the "Other income" line item in the consolidated statement of profit or loss (see note 4).

HKFRS 7.24B(b)(iii)

[285] Paragraph 6.5.12 of HKFRS 9 provides that when an entity discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the hedging reserve remains in the reserve until the future cash flows occur. Paragraph 24B(b)(iii) of HKFRS 7 requires an entity to disclose balances remaining in the cash flow hedge reserve from any hedging relationships for which hedge accounting is no longer applied.

(ii) Interest rate risk profile[286]

HKFRS 7.34 & 35

The following table, as reported to the management of the group, details the interest rate risk profile of the group's borrowings at the end of the reporting period:

	Notional amount	
	2025	2024
	$'000	$'000
Fixed rate borrowings:		
Lease liabilities	**70,292**	68,473
Bank loans	**40,986**	46,432
	111,278	114,905
Interest rate swap	**40,000**	40,000
	151,278	154,905
Variable rate borrowings:		
Bank overdrafts	**1,266**	2,789
Bank loans	**43,054**	43,483
Sustainability-linked bond	**5,000**	5,000
Loans from fellow subsidiaries	**2,665**	906
Loans from non-controlling shareholders of a subsidiary	**3,000**	3,000
	54,985	55,178
Interest rate swap	**(40,000)**	(40,000)
Net exposure	**14,985**	15,178

HKFRS 7.40

(iii) Sensitivity analysis[287]

HKFRS 7.40(a)

At 31 December 2025, it is estimated that a general increase/decrease of [●] basis points in interest rates, with all other variables held constant, would have decreased/increased the group's profit after tax and retained profits by approximately $[●] (2024: $[●]). Other components of consolidated equity would have increased/decreased by approximately $[●] (2024: $[●]) in response to the general increase/decrease in interest rates.

HKFRS 7.40(b)

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2024.

HKFRS 7.40(c)

HKFRS 7.34 & 35

286 As explained above in footnote 274, HKFRS 7 takes primarily a management approach to the disclosure of quantitative risk information. Therefore, the extent and format of disclosure may vary from one entity to the next, depending on what information is used internally by key management personnel to monitor interest rate risk.

HKFRS 7.31-35 & 40-42

(d) Currency risk[273, 274]

HKFRS 7.31 & 33

The group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen and Australian dollars. The group manages this risk as follows:

HKFRS 7.40-42 & B17-28

[287] Paragraph 40 of HKFRS 7 requires a forward-looking sensitivity analysis to be disclosed for each type of market risk (which includes interest rate risk, currency risk and other price risk) to which an entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable (for example, prevailing market interest rates, currency rates, equity prices or commodity prices) that were "reasonably possible" at that date. In addition, the entity is required to disclose the methods and assumptions used in preparing the sensitivity analysis and any changes from the previous period in these methods and assumptions used, and the reasons for such changes.

HKFRS 7.41

This requirement applies unless an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables and uses it to manage financial risk. If this is the case then the entity may choose instead to disclose that analysis instead of the sensitivity analysis described in paragraph 40 of HKFRS 7.

HKFRS 7 does not prescribe a format in which a sensitivity analysis should be presented, although paragraph B17 of HKFRS 7 notes that exposures to risks from significantly different economic environments should not be combined. Further guidance in this respect can be found in paragraph B17 of HKFRS 7 and paragraph IG36 of HKFRS 7 contains an illustrative example of a narrative approach to the requirement. Entities should consider their individual circumstances in determining how they should prepare and present the information and care should be taken to ensure that clear descriptions of the methods and assumptions used to arrive at the amounts disclosed are provided.

In addition, the following points should be noted when preparing the sensitivity analysis:

- Paragraph B19(b) of HKFRS 7 limits the assessment of what a future "reasonably possible change" in the relevant risk variable might be, to be an assessment of what changes are thought to be reasonably possible in the period until the entity next presents these disclosures. Paragraph B19(b) of HKFRS 7 notes that this is usually the next annual reporting period.
- According to paragraph B19(a) of HKFRS 7, a "reasonably possible change" should not include "worst case" scenarios or "stress tests". Instead, the economic environments in which the entity operates should be considered to identify an appropriate measure. In this respect it should be noted that paragraph B18 of HKFRS 7 indicates that the disclosure would consider changes at the limits of a reasonably possible range (i.e. rather than an arbitrary amount, for example, "1 percentage point change" in all variables). This particularly needs to be remembered where the impact of a greater or smaller change than the change used in the sensitivity analysis would not be directly proportional, for example where an entity has entered into interest rate caps or collars.
- When computing how profit or loss and equity would have been affected by changes in the relevant risk variable, it should be assumed that the "reasonably possible change" in the risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. Further guidance on this is given in paragraphs B18 and IG34 to IG36 of HKFRS 7. In particular, entities are not required to determine what profit or loss for the past period would have been if relevant risk variables had been different. Instead, sensitivity analyses should be prepared based on financial instruments that are recognised at the end of the reporting period even where those exposures did not exist for the entire period, or where the exposures are expected to change significantly during the next period.
- Some financial instruments, although subject to market risk, are not remeasured in the financial statements in response to changes in market risk variables and therefore these changes in market risk variables would not affect profit or loss or equity in such cases. An example is a fixed rate debt instrument denominated in an entity's functional currency and measured at amortised cost. Such instruments would therefore be excluded from the sensitivity analysis calculation.

HKFRS 7.42

If an entity considers that the sensitivity analyses required to be disclosed by HKFRS 7 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity should disclose that fact and the reason it believes the analyses are unrepresentative. Further guidance in this respect can be found in paragraphs IG37 to IG40 of HKFRS 7.

(i) Hedges of foreign currency risk in forecast transactions[284]

HKFRS 7.22A

At any point in time the group hedges up to [●]% of its estimated foreign currency exposure in respect of highly probable forecast sales and purchases, excluding those transactions denominated in United States dollars which are expected to be entered into by operations with a functional currency of Hong Kong dollars. Such transactions are currently not hedged under the group's foreign currency risk management strategy as the group currently considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant.

HKFRS 7.22B

The group uses forward exchange contracts to manage its currency risk until the settlement date of foreign currency receivables or payables. The group designates those forward exchange contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a forward exchange contract but instead designates the forward exchange contract in its entirety[288] in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward exchange contracts and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows. The main sources of ineffectiveness in these hedging relationships are:

(i) the effect of the counterparty's and the group's own credit risk on the fair value of the forward exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(ii) changes in the timing of the hedged transactions.

The following table details the forward exchange contracts that have been designated as cash flow hedges of the group's highly probable forecast transactions at the end of the reporting period:

	2025		2024	
	Foreign currency ‘000	**Hong Kong dollar $'000**	Foreign currency ‘000	Hong Kong dollar $'000
Notional amount				
- Buy [foreign currency X]	**[●]**	**[●]**	[●]	[●]

	2025	2024
	$'000	$'000
Carrying amount (note)		
- Asset	**804**	1,465
- Liability	**(40)**	(20)

Note:
Forward exchange contract assets and liabilities are included in the "Derivative financial instruments" (note 18).

HKFRS 7.23A & 23B

The forward exchange contracts have a maturity of less than one year from the reporting date and have an average exchange rate of [●] between [foreign currency X] and Hong Kong dollar (2024: [●]).

HKFRS 9.6.2.4(b) 288 Entities may also choose to separate the spot and forward element of a forward contract and designate only the change in the value of the spot element as the hedging instrument.

HKFRS 7.24B(b)(i), (ii) 24C(b), 24E & 24F

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2025 **$'000**	2024 $'000
Balance at 1 January	**1,427**	1,965
Effective portion of the cash flow hedge recognised in other comprehensive income	**(145)**	(119)
Amounts reclassified to profit or loss (note (i))	**(300)**	(280)
Amounts transferred to the initial carrying amount of the hedged items (note (ii))	**(236)**	(220)
Related tax	**119**	81
Balance at 31 December (note (iii))	**865**	1,427

Change in fair value of the forward exchange contracts during the year	**(145)**	(119)
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**(145)**	(119)

Notes:

(i) Amounts reclassified to profit or loss are recognised in the "Cost of sales" line item in the consolidated statement of profit or loss (see note 5(c)).

(ii) Amounts removed from the hedging reserve are recognised in the "Inventory" line item in the consolidated statement of financial position and will be recognised in profit or loss when the inventory is sold (see note 5(c)).

(iii) The entire balance in the hedging reserve relates to continuing hedges[285].

(ii) Recognised assets and liabilities

HKFRS 7.31 & 33

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss (see note 5(c)). The net fair value of forward exchange contracts used by the group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2025 was $253,000 (2024: $659,000), recognised as derivative financial instruments.

In respect of other trade receivables and payables denominated in foreign currencies, the group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Except for the borrowings designated to hedge a net investment in a subsidiary (as described below), all of the group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the group's borrowings.

(iii) Hedge of net investment in a foreign subsidiary[284]

HKFRS 7.22A & 22B

A foreign currency exposure arises from the group's net investment in its Singaporean subsidiary (see note 14) that has Singapore dollar as its functional currency. The risk arises from the fluctuation in spot exchange rates between the Singapore dollar and the Hong Kong dollar, which causes the carrying amount of the net investment to vary. The company's Singapore dollar denominated secured bank loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the HKD/SGD spot rate. It is the group's policy to hedge the net assets of the Singaporean subsidiary up to an amount of SGD [●]. This policy is reviewed every [●] years in light of the subsidiary's performance and dividend policy.

The carrying amount of the loan at 31 December 2025 was $13,950,000 (2024: $14,400,000). A foreign exchange gain of $494,000 (2024: loss of $219,000) was recognised in the group's other comprehensive income for the period on translation of the loan to Hong Kong dollars.

(iv) Exposure to currency risk[289]

HKFRS 7.34 & 35

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 foreign operations into the group's presentation currency and the exposure arising from the secured bank loan that is designated as a hedge of the group's net investment in its subsidiary in Singapore (see (iii) above) are excluded.

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2025				2024			
	United States Dollars $'000	**Euros $'000**	**Japanese Yen $'000**	**Australian Dollars $'000**	United States Dollars $'000	Euros $'000	Japanese Yen $'000	Australian Dollars $'000
Trade and other receivables	**11,144**	**6,831**	**-**	**-**	8,648	3,762	-	-
Intercompany receivables[290]	**1,935**	**-**	**-**	**-**	1,143	-	-	-
Cash and cash equivalents	**-**	**-**	**15,628**	**13,440**	-	-	21,436	10,675
Trade and other payables	**-**	**-**	**(27,741)**	**(10,540)**	-	-	(20,362)	(15,250)
Gross exposure arising from recognised assets and liabilities	**13,079**	**6,831**	**(12,113)**	**2,900**	9,791	3,762	1,074	(4,575)
Notional amounts of forward exchange contracts used as economic hedges	**-**	**(5,500)**	**10,714**	**-**	-	(4,400)	-	-
Net exposure arising from recognised assets and liabilities	**13,079**	**1,331**	**(1,399)**	**2,900**	9,791	(638)	1,074	(4,575)

HKFRS 7.34 & 35 — 289 Other than the requirements for sensitivity analyses for market risk (see footnote 287), HKFRS 7 does not specify the minimum information required to be disclosed in respect of an entity's exposure to currency risk. The currency risk table illustrated above provides an example of summary quantitative data about the exposure to that risk at the end of the reporting period that an entity may provide internally to key management personnel.

HKFRS 7.B23 — In this connection, it should be noted that for the purposes of HKFRS 7 currency risk arises on financial instruments that are denominated in a foreign currency (i.e. are denominated in a currency other than the functional currency in which they are measured). However, currency risk does not arise from non-monetary items or from financial instruments denominated in the functional currency of the entity to which they relate.

HKAS 21.45 — 290 For the purposes of disclosure under HKFRS 7, currency risk for the group arises if, for example, a subsidiary with a functional currency RMB lends in US dollars, even if the group presentation currency is also US dollars. Currency risk does not arise if that same subsidiary lends instead in RMB. This applies whether or not the counterparty to the borrowing is a third party or another entity within the group. This is because, although intra-group balances are eliminated on consolidation, any related foreign exchange gains or losses will not be eliminated. It follows that the information about exposure to currency risk at each group company level needs to be collated when different companies within the group have different functional currencies. Each group company needs to assess its own exposure to currencies other than its own functional currency, with the group's exposure to currency risk disclosed under HKFRS 7 being an aggregation of this information.

HKFRS 7.40 & B24

(v) Sensitivity analysis[287, 289]

HKFRS 7.40(a)

The following table indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity 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 United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2025			2024		
	Increase / (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits $'000**	**Effect on other components of equity $'000**	Increase / (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
United States Dollars	**[•]%**	**[•]**	**[•]**	[•]%	[•]	[•]
	([•])%	**[•]**	**[•]**	([•])%	[•]	[•]
Euros	**[•]%**	**[•]**	**[•]**	[•]%	[•]	[•]
	([•])%	**[•]**	**[•]**	([•])%	[•]	[•]
Japanese Yen	**[•]%**	**[•]**	**[•]**	[•]%	[•]	[•]
	([•])%	**[•]**	**[•]**	([•])%	[•]	[•]
Australian Dollars	**[•]%**	**[•]**	**[•]**	[•]%	[•]	[•]
	([•])%	**[•]**	**[•]**	([•])%	[•]	[•]

HKFRS 7.40(b)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, and then translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

HKFRS 7.40(c)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency and the secured bank loan that is designated as a hedge of the group's net investment in its subsidiary in Singapore (see (iii) above). The analysis is performed on the same basis for 2024.

HKFRS 7.31-35 40-42 & B25-28

(e) Equity price risk[273, 274]

The group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 17). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The group's listed investments are listed on the Stock Exchange of Hong Kong and are included in the Hang Seng Index. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the group.

All of the group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the group, together with an assessment of their relevance to the group's long term strategic plans.

The group is also exposed to equity price risk arising from changes in the company's own share price to the extent that the company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the group. As at the end of the reporting period the group is exposed to this risk through the conversion rights attached to Tranche B of the convertible notes issued by the company as disclosed in note 25(b)(ii).

HKFRS 7.40(a)

At 31 December 2025, it is estimated that an increase/(decrease) of [●]% (2024: [●]%) in the relevant stock market index (for listed investments), the price/earning ratios of comparable listed companies (for unquoted investments) or the company's own share price (for the conversion option of certain convertible bonds) as applicable, with all other variables held constant, would have increased/decreased the group's profit after tax (and retained profits) and other components of consolidated equity as follows:[287]

	2025			**2024**		
		Effect on profit after tax and retained profits $'000	**Effect on other components of equity $'000**		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	**[●]%**	**[●]**	**[●]**	[●]%	[●]	[●]
Decrease	**([●])%**	**[●]**	**[●]**	([●])%	[●]	[●]

HKFRS 7.40(b)-(c)

The sensitivity analysis indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the group which expose the group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2024.

HKFRS 13.91-92

(f) Fair value measurement[272]

HKFRS 13.93

(i) Financial assets and liabilities measured at fair value[291]

HKFRS 13.93(b)

Fair value hierarchy[166]

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

HKFRS 13.93(g)

The group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities and conversion option embedded in convertible notes which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.[171]

[291] As mentioned in footnote 167, for recurring and non-recurring fair value measurements, entities are required to disclose, for each class of assets and liabilities, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Class is determined based on the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy within which the fair value measurement is categorised. As far as financial instruments are concerned, "classes" would be determined at a lower level than the measurement categories (i.e. amortised cost, FVPL and FVOCI-recycling and non-recycling) in HKFRS 9 when the financial instruments within the same category have significantly different nature, characteristics or risks. For example, in this illustration, the category "measured at fair value through profit or loss" is subdivided into trading and non-trading securities.

HKFRS 13.93(b)

	Fair value at 31 December 2025	Fair value measurements as at 31 December 2025 categorised into			Fair value at 31 December 2024	Fair value measurements as at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements[164]								
Assets:								
Trading securities	**58,331**	**58,331**	**-**	**-**	58,020	58,020	-	-
Non-trading listed securities	**7,823**	**7,823**	**-**	**-**	6,710	6,710	-	-
Units in bond funds	**16,466**	**16,466**	**-**	**-**	15,176	15,176	-	-
Unlisted equity securities	**5,040**	**-**	**-**	**5,040**	4,950	-	-	4,950
Derivative financial instruments:								
- Interest rate swaps	**1,664**	**-**	**1,664**	**-**	1,489	-	1,489	-
- Forward exchange contracts	**1,057**	**253**	**804**	**-**	2,124	659	1,465	-
Liabilities:								
Derivative financial instruments:								
- Interest rate swaps	**128**	**-**	**128**	**-**	52	-	52	-
- Forward exchange contracts	**40**	**-**	**40**	**-**	20	-	20	-
- Conversion option embedded in convertible notes	**172**	**-**	**-**	**172**	171	-	-	171

HKFRS 13.93(c), 93(e)(iv)

During the years ended 31 December 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.[168]

HKFRS 13.93(d)

Valuation techniques and inputs used in Level 2 fair value measurements[172]

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to transfer the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Information about Level 3 fair value measurements[172]

	Valuation techniques	**Significant unobservable inputs**	**Range[173]**	**Weighted average[173]**
Unlisted equity securities	Market comparable companies	Discount for lack of marketability	[●]% to [●]% (2024: [●]% to [●]%)	[●]% (2024: [●]%)
Conversion option embedded in convertible notes	Binomial lattice model	Expected volatility	[●]% (2024: [●]%)	[●]% (2024: [●]%)

HKFRS 13.93(h)

The fair value of unlisted equity securities is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2025, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by [●]% would have increased/decreased the group's other comprehensive income by $[●] (2024: $[●]).

The fair value of conversion option embedded in the convertible notes is determined using the binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2025, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by [●]% would have decreased/increased the group's profit by $[●] (2024: $[●]).[292]

HKFRS 13.93(e)&(f)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:[175]

	2025	2024
	$'000	$'000
Unlisted equity securities:		
At 1 January	**4,950**	4,800
Payment for purchases	**-**	100
Net unrealised gains or losses recognised in other comprehensive income during the period	**90**	50
At 31 December	**5,040**	4,950
Conversion option embedded in convertible notes:		
At 1 January	**171**	169
Changes in fair value recognised in profit or loss during the period	**1**	2
At 31 December	**172**	171
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**1**	2

HKFRS 13.93(h)

292 As mentioned in footnote 174, for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, entities should give a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. For financial instruments measured at fair value on a recurring basis and categorised within Level 3, a quantitative sensitivity analysis is required in addition to the narrative description.

Any gain or loss arising from the remeasurement of the group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains arising from the remeasurement of the conversion option embedded in the convertible notes are presented in the "Other income" line item in the consolidated statement of profit or loss.

(ii) Fair value of financial assets and liabilities carried at other than fair value[293]

HKFRS 7.25, HKFRS 13.97

The carrying amounts of the group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2024 and 2025 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

			Fair value measurements as at 31 December 2025 categorised into		
	Carrying amounts at 31 December 2025 $'000	**Fair value at 31 December 2025 $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Convertible notes	**(9,542)**	**(8,580)**	**-**	**-**	**(8,580)**
Redeemable preference shares	**(3,912)**	**(2,878)**	**-**	**-**	**(2,878)**

			Fair value measurements as at 31 December 2024 categorised into		
	Carrying amounts at 31 December 2024 $'000	Fair value at 31 December 2024 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Convertible notes	(9,356)	(8,450)	-	-	(8,450)
Redeemable preference shares	(3,912)	(2,628)	-	-	(2,628)

Valuation techniques and inputs used in Level 3 fair value measurements

The fair values of the convertible notes and redeemable preference shares are estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the group's own credit risk.

HKFRS 7.25-26, 29

293 In this illustration, we have illustrated the disclosures required by paragraphs 25 and 26 of HKFRS 7, i.e. the fair values for each class of financial assets and financial liabilities that are not carried at fair value. As stated in paragraph 29 of HKFRS 7, such disclosure is not required:

- when the carrying amount of a financial instrument is a reasonable approximation of fair value; or
- for lease liabilities.

HKFRS 13.97

In addition, paragraph 97 of HKFRS 13 requires entities to disclose the following information for each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed:

- level of the fair value hierarchy within which the fair value measurements are categorised in their entirety;
- for fair value measurements categorised within Level 2 and Level 3:
  - a description of the valuation technique(s);
  - a description of the inputs used in the fair value measurement;
  - any change in valuation technique and the reason(s) for making the change; and
- for any non-financial asset whose highest and best use differs from its current use, this fact and the reason why it is being used in a manner that differs from its highest and best use.

For such assets and liabilities, entities need not provide the other disclosures required by HKFRS 13.

34 COMMITMENTS[294]

Commitments outstanding at 31 December 2025 not provided for in the financial statements were as follows:

		2025	2024
		$'000	$'000
HKAS 16.74(c)	Contracted for acquisition of property, plant and equipment	**13,539**	6,376
CP	Authorised but not contracted for:		
	- acquisition of investment property	**23,000**	-
	- acquisition of property, plant and equipment	**-**	660
		36,539	7,036

Included in the commitment for acquisition of property, plant and equipment, an amount of $11,543,000 is related to acquisition of new packaging machines (see note 11(g)).

HKFRS 16.59(b)(iv) In addition, the group was committed at 31 December 2025 to enter into a new lease[295] of [●] years that is not yet commenced, the lease payments under which amounted to $[●] per annum (2024: a lease of [●] years with lease payments amounted to $[●] per annum).

35 CONTINGENT ASSETS AND LIABILITIES

(a) Contingent compensation receivable

HKAS 37.89 In September 2025, the company commenced litigation against a supplier for non-performance of a contract. According to legal advice it is probable that the company will win the case, in which case, the monetary compensation is expected to amount to approximately $3 million[79]. No asset is recognised in respect of this claim.

(b) Contingent liability in respect of legal claim

HKAS 37.86 In June 2025, a subsidiary of the group received notice that it is being sued by a former employee in respect of a personal injury purported to have been suffered during his employment with that company. If the company is found to be liable, the total expected monetary compensation may amount to approximately $10 million[79]. Under the subsidiary's employer's liability insurance policy, it is probable that in such circumstances the subsidiary could recover approximately $2 million from the insurer. The subsidiary continues to deny any liability in respect of the injury and, based on legal advice, the directors do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

HKFRS 16.55 [294] Generally, a lessee is no longer required to disclose its lease commitments at the reporting date because the amounts are now recognised as lease liabilities in the statement of financial position and further details are disclosed in the note to the financial statements. However, if the portfolio of short-term leases to which the lessee is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed relates, a lessee is required to disclose the amount of its lease commitments for short-term leases that are accounted for applying the recognition exemptions in paragraph 6 of HKFRS 16.

[295] In accordance with paragraphs 44 and 45 of HKFRS 16, if a lessee signs a new agreement to extend an original lease for the same underlying asset, it should be accounted for as a lease modification at the effective date of the modification (i.e. at the date when the new agreement is signed) and therefore the future payments under that new lease should be included in the revised estimate of the lease liability included in the statement of financial position as at the reporting date. Consequently, such amounts should not be included in the amounts disclosed as commitments.

HKAS 24.18

36 MATERIAL RELATED PARTY TRANSACTIONS[296, 297]

(a) Key management personnel remuneration

HKAS 24.17

Remuneration for key management personnel of the group, including amounts paid to the company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:[298]

	2025	2024
	$'000	$'000
Short-term employee benefits	**8,624**	7,755
Post-employment benefits	**853**	781
Equity compensation benefits	**485**	585
	9,962	9,121

Total remuneration is included in "staff costs" (see note 5(b)).

HKAS 24.18 -24

296 Paragraph 18 of HKAS 24 states that if there have been transactions between related parties, an entity shall disclose the nature of the related party relationships as well as information about the transactions and outstanding balances, including commitments, necessary for an understanding of the potential effect of the relationship on the financial statements. Paragraph 18 of HKAS 24 specifies certain information that the disclosures should include as a minimum. This list includes the amount of the transactions, the outstanding balances and commitments and their terms and conditions, and loss allowances. Pricing policies are not required to be disclosed and paragraph 23 of HKAS 24 warns that disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are only made if such terms can be substantiated.

The disclosures are generally made in amongst other notes (for example, loans to related parties are often disclosed in the notes relating to non-current financial assets) or in a separate note on related party transactions. As with all HKFRS Accounting Standards, HKAS 24's requirements apply where the effect would be material. Judgement is therefore required in deciding the extent to which transactions are disclosed and, if the transactions are disclosed, whether those disclosures are made individually or on an aggregated basis. Paragraph 19 of HKAS 24 specifies that the disclosures should be at least disaggregated by type of related party i.e. transactions with parents should be shown separately from transactions with associates or key management personnel, for example. Where applicable, listed issuers should also take care to follow the requirements of Chapter 14A of the MBLRs concerning approval and disclosure of connected transactions. See also footnote 299.

HKAS 24.25 -27

297 HKAS 24 provides relief to government-related entities from the general disclosure requirements for related party disclosures in respect of transactions with the government to which they are related or with parties related to the same government. If entities take advantage of this relief, they need to provide alternative disclosures as set out in paragraph 26 of HKAS 24. These alternative disclosures require entities to apply judgement to assess whether a transaction with these other government-related entities is individually or collectively significant enough to be disclosed in the financial statements and if so, whether the disclosure should be quantitative or qualitative. In applying judgement, the entities should consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction, such as whether it is significant in terms of size, carried out on non-market terms and/or outside normal day-to-day business operations. Government-related entities are not exempt from the general disclosure requirements in HKAS 24 so far as transactions with other related parties are concerned. For example, they are still required to disclose details of key management personnel compensation (see footnote 298). Please talk to your usual KPMG contact if you would like further guidance in this respect.

(b) Financing arrangements[296]

HKAS 24.18-20

	Notes	Amounts owed to the group by related parties		Amounts owed by the group to related parties		Related interest (expense)/ income	
		As at 31 December		As at 31 December		Year ended 31 December	
		2025	2024	**2025**	2024	**2025**	2024
		$'000	$'000	**$'000**	$'000	**$'000**	$'000
Amounts due to ultimate holding company	(i)	**-**	-	**2,000**	1,800	**-**	-
Amounts due to fellow subsidiaries	(i)	**-**	-	**3,650**	3,780	**-**	-
Loans from fellow subsidiaries	(ii)	**-**	-	**2,665**	906	**(262)**	(89)
Loans to associates	(iii), (iv)	**31,601**	21,596	**-**	-	**-**	-
Loans to members of key management personnel and entities controlled by members of key management personnel	(iv), (v)	**400**	546			**29**	32
Lease liabilities due to fellow subsidiary	(vi)	**-**	-	**1,168**	2,268	**(100)**	(165)

Notes:

(i) The outstanding balances with these related parties are trading balances included in "Trade and other payables" (note 24).

(ii) The loans from fellow subsidiaries bear interest at a prime rate plus [●]% per annum, are unsecured and repayable on 31 December 2030. The loans are included in "Interest-bearing borrowings" (note 25).

(iii) The loans to the associates bear interest at HIBOR plus [●]% per annum and will both mature in 2032. The loans are fully secured by properties held by the associates. The loans are included in "Other investments in securities" (note 17).

(iv) No loss allowances have been made in respect of these loans.

(v) Further details of the loans and guarantees given on behalf of directors of the company are disclosed in note 23.

(vi) The outstanding balances arising from the leasing arrangement with the fellow subsidiary are included in "Lease liabilities" (note 27). Further details of the lease arrangement are set out in note (c) below.

Details of new loans and loans repaid during the period are disclosed in the consolidated cash flow statement.

HKAS 24.17

298 HKAS 24 requires disclosure of key management personnel compensation in total and for each of (i) short-term employee benefits; (ii) post-employment benefits; (iii) other long-term benefits; (iv) termination benefits; and (v) share-based payments. HKAS 24 defines key management personnel as being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

For some entities all members of key management personnel will also be directors of that entity and therefore these requirements of HKAS 24 will usually be met by giving more details in respect of the amounts to be disclosed under section 383(1) of the CO (see note 7).

However, where consolidated financial statements are prepared, the reporting entity is the group and therefore the disclosure of key management personnel compensation may need to be extended to include amounts payable to individuals who are not directors of the holding company but nevertheless should be regarded as part of the key management of the group, for example executive directors of major subsidiaries. These persons may, or may not, also be included in the disclosure of "highest paid employees" required by paragraph 25 of Appendix D2 of the Listing Rules (see note 8) depending on the nature of their duties and the amount of their compensation package.

(c) Leasing arrangement[296, 299]

In January 2024, the group entered into a three-year lease in respect of certain leasehold properties from a fellow subsidiary of the group for storage of electronic goods. The amount of rent payable by the group under the lease is $100,000 per month, which was determined with reference to amounts charged by the fellow subsidiary to third parties. At the commencement date of the lease, the group recognised a right-of-use asset and a lease liability of $3,303,000.

(d) Applicability of the Listing Rules relating to connected transactions

D2(8)(2) *[The related party transactions in respect of … and … above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section […] of the Directors' Report.] OR [The related party transactions in respect of … and … above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are* ***[****below the de minimis threshold under Rule 14A.76(1)****][****or describe other exemption applicable to the transactions****]****] OR [None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.]*[299]

D2(8)(2) 299 In accordance with paragraph 8(2) of Appendix D2 to the MBLRs, where a listed issuer includes in its annual report particulars of a related party transaction or continuing related party transaction (as the case may be) in accordance with applicable accounting standards adopted for the preparation of its annual financial statements, it must specify whether or not the transaction falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the MBLRs. The listed issuer must also confirm whether or not it has complied with the disclosure requirements in accordance with Chapter 14A of the MBLRs. In this regard, it would be helpful to the readers to provide a cross reference to where in the annual report such disclosures have been made, where applicable.

According to the response to question 23 in FAQ Series 20 "Rule requirements relating to notifiable transactions, connected transactions, mineral companies, issues of securities and corporate governance code" released by the Listing Division of the SEHK (last update on 1 January 2024), when the related party transaction is a connected transaction but is exempt from the disclosure requirements of Chapter 14A of the MBLRs, the listed issuer should specify this fact and describe the exemption applicable to the transaction.

In addition, according to the responses to FAQs on notifiable and connected transactions rules relating to lease transactions of listed issuers adopting HKFRS/IFRS 16 "Leases" (or similar accounting standards in other jurisdictions) released by the Listing Division of the SEHK (last update on 17 April 2020),

- where the lease is subject to an agreement with fixed lease payments, the transaction is treated as a one-off connected transaction and the recognition of a right-of-use asset is regarded as an acquisition of capital asset under the definition of transaction set out in Main Board Rule 14.04(1)(a); and
- where the lease is subject to an agreement with variable lease payments (such as turnover rent), these payments are treated as continuing connected transaction under Main Board Rule 14A.31. The listed issuer is required to set annual caps on the variable lease payments to be made each year under the agreement.

Sch 4, Part 1, Section 2(1)(a)

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION[300]

Reference		31 December 2025		31 December 2024	
HKAS 1.113 HKAS 1.51(e)		**$'000**	**$'000**	$'000	$'000
HKAS 1.60 & 66	**Non-current assets**				
HKAS 1.54(a)	Property, plant and equipment		**94,667**		86,865
	Investments in subsidiaries		**74,395**		69,395
HKAS 1.54(d)	Other financial assets		**31,726**		27,289
			200,788		183,549
HKAS 1.60 & 66 HKAS 1.54(d) HKFRS 7.8(a)(ii)	**Current assets**				
HKAS 1.54(g)	Trading securities	**58,331**		58,020	
	Inventories	**220,368**		209,134	
HKAS 1.54(h) HKFRS 7.8(f)	Trade and other receivables	**60,947**		46,903	
HKAS 1.54(i)	Cash and cash equivalents	**55,185**		82,451	
		394,831		396,508	
HKAS 1.60 & 69	**Current liabilities**				
HKAS 1.54(k)	Trade and other payables	**74,298**		103,369	
HKAS 1.54(m) HKFRS 7.8(g)	Interest-bearing borrowings	**4,728**		4,598	
HKAS 1.54(m) HKFRS 7.8(g)	Bank loans	**14,713**		12,610	
HKAS 1.54(m) HKFRS 16.47(b)	Lease liabilities	**21,329**		15,271	
HKAS 1.54(n)	Current taxation	**2,475**		2,440	
		117,543		138,288	
	Net current assets		**277,288**		258,220
	Total assets less current liabilities		**478,076**		441,769
HKAS 1.60 & 69	**Non-current liabilities**				
HKAS 1.54(m) HKFRS 7.8(g)	Interest-bearing borrowings	**32,119**		38,174	
HKAS 1.54(m) HKFRS 16.47(b)	Lease liabilities	**48,963**		53,202	
HKAS 1.54(n)	Pillar Two tax liabilities[301]	**1,764**		-	
HKAS 1.54(o) & 56	Deferred tax liabilities	**3,103**		2,418	
			85,949		93,794
	NET ASSETS		**392,127**		347,975

Sch 4, Part 1, Section 2(1)(a), (3)

300 In accordance with Schedule 4 to the CO when a company prepares consolidated financial statements, a company-level statement of financial position is required to be disclosed as a note to the consolidated financial statements. Schedule 4 specifically requires that the company-level statement of financial position must be in the format in which that statement would have been prepared if the holding company had not been required to prepare any annual consolidated financial statements for the financial year. This means that the company should apply the general requirements of HKAS 1 to prepare the company-level statement of financial position as if the statement were presented as a primary statement.

HKAS 1.113-114

The CO is not explicit as to where in the notes the company-level statement of financial position should be placed. If the directors wish to draw attention to this statement and yet comply with a literal interpretation of Schedule 4, they would be advised to include the statement as note 1 or otherwise in a prominent position in the notes to the consolidated financial statements. In this illustration, the company-level statement of financial position is disclosed as a separate note at the end of the notes relating to the financial year (i.e. immediately before the note on non-adjusting events after the reporting period). However, the statement can be located in any place in the notes to the consolidated financial statements which is considered sensible, in accordance with HKAS 1's general principle that notes should be presented in a systematic manner.

301 Under the Hong Kong Pillar Two income tax legislation, to provide flexibility for payment of HKMTT, a group is allowed to designate one or more Hong Kong entities as the paying entity/entities to pay HKMTT on behalf of all Hong Kong entities within the group. If such designation has been made, HKMTT liabilities should be recognised in the financial statements of the designated paying entity/entities as they are legally liable for the payments.

If at the reporting date the group has not yet legally designated a paying entity but management plans to do so, in such case one of the acceptable approaches is to recognise HKMTT liabilities in the financial statements of the entity which the management intends to designate as the paying entity.

In this illustration, it is assumed that HK Listco is the designated paying entity to pay HKMTT. Accordingly, top-up tax liabilities arising from HKMTT, together with IIR, are recognised in HK Listco's company-level statement of financial position.

			31 December 2025		31 December 2024	
			$'000	**$'000**	$'000	$'000
HKAS 1.54(r)	**CAPITAL AND RESERVES**	32(a)				
	Share capital			**181,400**		175,000
	Reserves			**210,727**		172,975
	TOTAL EQUITY			**392,127**		347,975

S387 Approved and authorised for issue by the board of directors on 27 March 2026.[302]

Hon WS Tan)
) Directors
SK Ho)

HKAS 10.19 38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, one of the group's major trade debtors went into liquidation following a serious fire at their main production facilities in January 2026. Of the $1,150,000 owed by the debtor, the group expects to recover less than $100,000. No adjustment has been made in these financial statements in this regard.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 32(b).

HKAS 1.76(a) **(c)** After the end of the reporting period the group reached an agreement with its bankers to re-finance a loan of $10,000,000 originally due within 12 months of the end of the reporting period. The loan is now repayable in March 2028 and bears interest at [●]% per annum. No adjustments have been made to these financial statements as a result of this re-financing and therefore the loan is presented as a current liability as at the end of the reporting period.

S387 302 Section 387 of the CO states that the directors must sign a statement of financial position that "forms part of any financial statements". As confirmed by the Companies Registry in its response to Q14 of FAQ series on the CO (under the category "Accounts and Audit"), this requirement also applies to the company-level statement of financial position disclosed as a note to the consolidated financial statements. The statement must therefore be approved by the directors and signed on their behalf by 2 directors (or in the case of a company having only one director, by that director). The names of the directors who signed the statement of financial position on the directors' behalf should be stated.

The Companies Registry's FAQ series on the CO can be found on the Companies Registry's website.

So far as issuers that are not incorporated under the CO are concerned, as section 387 is not part of the SEHK's level playing field principle, they are not required to sign the company-level statement of financial position disclosed as a note to the consolidated financial statements, unless required by, for example, the Companies Law in their country of incorporation.

[39 COMPARATIVE FIGURES[303]

HKAS 1.41

As a result of the application of [● ● ●] certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2025. Further details of the changes in accounting policies are disclosed in note 1(c).]

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY[304, 305]

Sch 4, Part 1, Section 3
HKAS 1.138(c)
HKAS 24.13

At 31 December 2025, the directors consider the immediate parent and ultimate controlling party of the group to be Cayman (Holding) Co. Ltd, which is incorporated in Cayman Islands. This entity does not produce financial statements available for public use.

HKAS 1.41

303 When the presentation or classification of items in the financial statements is amended, paragraph 41 of HKAS 1 requires the comparative amounts to be reclassified unless it is impracticable to do so. It also requires the disclosure of the reason for and a description of the nature of material reclassifications as well as the amount of each item or class of items that is reclassified. Note also that where the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e. here: 1 January 2024), this would trigger the requirement to present an opening statement of financial position as per footnote 61. It is not necessary to make a negative statement if no comparatives have been adjusted.

HKAS 24.13
24.16

304 HKAS 24 requires disclosure of both the immediate parent of the reporting entity and, if different, the ultimate controlling party. The ultimate controlling party may be a body corporate, or could be an unincorporated entity or an individual. If neither the immediate parent nor the ultimate controlling party produces financial statements available for public use, HKAS 24 requires the name of the next most senior parent that does so to be disclosed. The standard does not require a negative statement to be given if there are no such entities. However, users may find such a statement informative.

Sch 4, Part 1, Section 3

305 Part 1 of Schedule 4 to the CO requires disclosure of the name of the "ultimate parent undertaking", i.e., the most senior parent of the reporting entity. This entity could be a body corporate, a partnership or an unincorporated association carrying on a trade or business, whether for profit or not, in accordance with the definition of "undertaking" in Schedule 1 to the CO. If the ultimate parent undertaking is a body corporate, then the country of its incorporation should be disclosed, whereas if it is not a body corporate, then the address of its principal place of business should be disclosed.

Although the disclosure requirements under Part 1 of Schedule 4 to the CO and paragraph 13 of HKAS 24 (see previous footnote) are similar, it should be noted that where the ultimate parent undertaking is controlled by an individual, additional disclosure will be required to meet both the requirements of the CO (in respect of disclosure of the "ultimate parent undertaking") and HKAS 24 (in respect of disclosure of the "ultimate controlling party").

HKAS 8.30

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025[306]

Up to the date of issue of these financial statements[307], 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.

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

[Disclose the impact (if any) of other developments in accordance with paragraph 30-31 of HKAS 8].

HKAS 8.30-31 306 Paragraph 30 of HKAS 8 requires entities to disclose known or reasonably estimable information relevant to assessing the possible impact that application of a new Standard or Interpretation will have on the entity's financial statements in the period of initial application. Paragraph 31 of HKAS 8 lists certain items in this respect which an entity "considers disclosing". These items are:

- the Standard or Interpretation's title;
- the nature of the impending change and its effective date;
- the date at which it plans to apply the HKFRS Accounting Standard initially; and
- either a discussion of the impact that initial application is expected to have on the entity's financial statements or, if that impact is not known or reasonably estimable, a statement to that effect.

It is evident from the words "relevant to assessing" and "considers disclosing" in these paragraphs, that management has a certain degree of flexibility in determining how much disclosure is necessary in the circumstances of the entity as regards naming the amendments, new Standards or Interpretations that are currently in issue but not yet adopted, and, if they do name any or all of the amendments, how much information is disclosed about the possible impact.

There is no "one-size-fits-all" wording to meet this requirement. Care must therefore be taken to prepare disclosures which reflect that current state of the entity's own assessment and expectations about the impact of the new amendments/interpretations on the entity's own financial statements.

HKAS 8.30 307 Paragraph 30 of HKAS 8 does not explicitly state whether the cut-off for this disclosure should be the end of the financial reporting period or the date of approval of the financial statements. In our view, given the requirements in HKAS 10 to disclose non-adjusting events after the reporting period, the cut-off for the disclosure under paragraph 30 of HKAS 8 should be as near as practicable to the date of approval of the financial statements.

Group properties

D2(23)(1) **1 Major properties under development**

Location	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
16 Main Avenue Tsim Sha Tsui Hong Kong	Commercial	Foundations completed	Dec 2026	1,955	27,881	100
100 Richard Street Tsim Sha Tsui Hong Kong	Commercial	80%	Apr 2026	4,093	41,223	100
201 Pink Road Tsueng Kwan O Hong Kong	Residential	70%	Aug 2026	917	25,340	100

D2(23)(1) **2 Major properties held for resale**

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Hope House 796-802 Green Road, Central, Hong Kong	Office	733	100
Wood Mansion 100 Black Hill Road, Tsueng Kwan O, Hong Kong	Residential	1,826	100

D2(23)(2) **3 Major properties held for investment**

Location	Existing use	Term of lease
Overseas Building 1112-1120 Millers Road, Happy Valley, Hong Kong	Commercial	Long
12/F Deville House 122 House Street, Central, Hong Kong	Office	Long
Level 2, Good Fortune Building, No. 383 Hu Nan Road Xuhui District, Shanghai, China	Residential	Medium

D2(19)

Five year summary

(Expressed in Hong Kong dollars)

	Note	2025	2024	2023	2022	2021
		$'M	$'M	$'M	$'M	$'M
Results						
Revenue		**1,084.9**	985.2	939.4	752.5	665.7
Profit from operations		**145.4**	121.1	113.8	98.2	76.6
Finance costs		**(20.6)**	(16.2)	(9.9)	(7.9)	(7.0)
Share of profits less losses of associates		**13.8**	12.6	10.9	1.4	-
Share of profits of joint venture		**10.7**	10.1	7.0	-	-
Profit before taxation		**149.3**	127.6	121.8	91.7	69.6
Taxation		**(24.5)**	(21.3)	(18.4)	(11.2)	(8.9)
Profit for the year		**124.8**	106.3	103.4	80.5	60.7
Attributable to:						
Equity shareholders of the company		**114.4**	96.2	95.3	75.5	57.7
Non-controlling interests		**10.4**	10.1	8.1	5.0	3.0
Profit for the year		**124.8**	106.3	103.4	80.5	60.7
Assets and liabilities						
Fixed assets		**319.5**	268.0	241.7	142.8	114.8
Intangible assets		**15.2**	14.4	13.5	-	-
Goodwill		**0.9**	1.1	1.1	2.2	2.8
Interest in associates		**40.3**	29.5	16.8	8.7	8.5
Interest in joint venture		**42.8**	32.1	22.0	-	-
Other investments in securities (exclude trading securities)		**60.9**	48.4	42.8	36.6	32.0
Derivative financial instruments		**0.9**	1.2	1.5	1.8	2.1
Deferred tax assets		**2.5**	3.5	3.5	4.5	-
Net current assets		**236.5**	243.3	245.1	283.9	270.4
Total assets less current liabilities		**719.5**	641.5	588.0	480.5	430.6
Deferred tax liabilities		**(19.2)**	(13.8)	(13.2)	(6.7)	(4.3)
Other non-current liabilities		**(139.9)**	(140.0)	(129.8)	(53.1)	(49.7)
NET ASSETS		**560.4**	487.7	445.0	420.7	376.6
Capital and reserves						
Share capital and other statutory capital reserves		**181.4**	175.0	175.0	135.0	135.0
Other reserves		**296.7**	240.8	208.2	227.5	198.1
Total equity attributable to equity shareholders of the company		**478.1**	415.8	383.2	362.5	333.1
Non-controlling interests		**82.3**	71.9	61.8	58.2	43.5
TOTAL EQUITY		**560.4**	487.7	445.0	420.7	376.6
Earnings per share	1					
Basic		**$1.15**	$0.97	$0.93	$0.81	$0.61
Diluted		**$1.14**	$0.97	$0.93	$0.81	$0.61

Note to the five year summary[308]:

1 As a result of the sub-division of ordinary shares and bonus issue in 2022 and 2025 respectively, figures for the years from 2021 to 2024 have been adjusted for comparison purposes.

D2(19) [308] Where the published results and statement of assets and liabilities have not been prepared on a consistent basis, the inconsistency should be explained in the summary.

Appendix A

Index of policies illustrated in note 1 to the illustrative annual financial statements

Appendix B

New or amended HKFRS Accounting Standards

This appendix lists the new standards under and amendments to HKFRS Accounting Standards in issue as at 31 August 2025, which were not yet effective for the 2024 calendar year-ends and therefore may need to be considered for the first time in the preparation of the 2025 financial statements. The appendix contains two tables:

- Table B1 lists those new or amended HKFRS Accounting Standards which are required to be adopted in annual accounting periods beginning on or after 1 January 2025.
- Table B2 lists other new or amended HKFRS Accounting Standards which are available for early adoption in that period, but are not yet mandatory.

The appendix includes a brief overview of these new or amended HKFRS Accounting Standards, focusing particularly on those which are likely to be of interest or concern. All of these new or amended HKFRS Accounting Standards are as a direct consequence of amendments and revisions to IFRS Accounting Standards made by the IASB and adopted by the HKICPA word-for-word and with the same effective dates. More information on these new or amended HKFRS Accounting Standards can be obtained from your usual KPMG contact.

* *All of the effective dates given below refer to the start of an annual accounting period, unless otherwise noted.*

Effective date*	**Table B1:** **New or amended HKFRS Accounting Standards first effective for annual periods beginning 1 January 2025**	
1 January 2025	Amendments to HKAS 21, *The effects of changes in foreign exchange rates* "Lack of exchangeability"	The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability. Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

[End of Table B1]

Effective date*	**Table B2:** **New or amended HKFRS Accounting Standards which are not yet mandatory for annual periods beginning 1 January 2025 but may be adopted early**	
1 January 2026	Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures* "Contracts referencing nature-dependent electricity"	The amendments: • clarify the application of the "own-use" requirements; • permit hedge accounting if contracts referencing nature-dependent electricity are used as hedging instruments; and • introduce new disclosure requirements to help users understand the effect of these contracts on an entity's financial performance and cash flows.
1 January 2026	Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures* "Amendments to the classification and measurement of financial instruments"	The amendments include requirements on: • classification of financial assets with environmental, social or governance (ESG) targets and similar features; • settlement of financial liabilities through electronic payment systems; and • disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Retrospective application is required. However, entities are not required to restate prior periods to reflect the application of the amendments; instead, entities may restate prior periods if it is possible without the use of hindsight. If an entity does not restate prior periods, it should, at the date of initial application, recognise any effect of initially applying these amendments as an adjustment to the opening balances of financial assets and financial liabilities and the corresponding adjustment associated with the cumulative effect to the opening balance of retained earnings (or other component of equity, as appropriate).
1 January 2026	Annual improvements to HKFRS Accounting Standards – Volume 11 - Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards* - Amendments to HKFRS 7, *Financial instruments: disclosures* and its accompanying guidance on implementing HKFRS 7 - Amendments to HKFRS 9, *Financial instruments* - Amendments to HKFRS 10, *Consolidated financial statements* - Amendments to HKAS 7, *Statement of cash flows*	The Annual Improvements contain narrow amendments to HKFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the standards. Paragraphs B5 and B6 of HKFRS 1 have been amended to improve the consistency with the requirements of HKFRS 9 related to hedge accounting. The amendments to HKFRS 7 remove an obsolete reference to paragraph 27A and update the wordings in paragraph B38 regarding "unobservable inputs" to align closer with HKFRS 13. The amendments to the accompanying guidance on implementing HKFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7, and include updated wording in paragraph IG14 regarding "fair value" to align closer with other standards. The amendments to HKFRS 9 address a potential confusion involving HKFRS 9 and HKFRS 15 over the initial measurement of trade receivables, and how a lessee accounts for the derecognition of a lease liability under paragraphs 3.3.1 and 3.3.3 of HKFRS 9. The amendments to HKFRS 10 clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a party is a de facto agent. The amendments to HKAS 7 replace the term "cost method" with "at cost" in paragraph 37 as the related definition of "cost method" has already been removed in prior years.

Effective date*	**Table B2:** **New or amended HKFRS Accounting Standards which are not yet mandatory for annual periods beginning 1 January 2025 but may be adopted early**	
1 January 2027	HKFRS 18, *Presentation and disclosure in financial statements*	HKFRS 18 will replace HKAS 1 and aims to improve the transparency and comparability of information about an entity's financial performance. The main changes comprise: • a more structured income statement; • enhanced disclosure requirements on management-defined performance measures ("MPMs"); and • enhanced requirements on aggregation and disaggregation of information.
1 January 2027	HKFRS 19, *Subsidiaries without public accountability: disclosures* Amendments to IFRS 19, *Subsidiaries without public accountability: disclosures* (issued in August 2025)[1]	HKFRS 19 allows eligible subsidiaries to apply HKFRS Accounting Standards with reduced disclosures. A subsidiary may elect to apply HKFRS 19 in its consolidated, separate or individual financial statements provided that, at the reporting date: • it does not have public accountability: and • its parent produces consolidated financial statements that are available for public use under HKFRS Accounting Standards or IFRS Accounting Standards. A subsidiary applying HKFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with HKFRS Accounting Standards that HKFRS 19 has been applied. In August 2025, the IASB issued amendments to IFRS 19 to help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued by the IASB between February 2021 and May 2024. Entities are required to apply these amendments on initial application of IFRS 19.
To be determined	Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under HKFRS 3, *Business combinations*. The amendments as originally issued had an effective date of annual periods beginning on or after 1 January 2016. In December 2015, the IASB decided to remove the effective date of the equivalent amendments to IFRS 10 and IAS 28 and indicated that the effective date will be determined when its research project on equity accounting is completed. The HKICPA followed the IASB's decision and indefinitely deferred the effective date of the equivalent amendments to HKFRS 10 and HKAS 28 accordingly.

[End of Table B2]

[1] The amendments to IFRS 19, *Subsidiaries without public accountability: disclosures* were issued by the IASB in August 2025. The equivalent HKFRS amendments have not been issued as at 31 August 2025, but they are expected to be issued by the HKICPA in due course.

Appendix C
Recent IFRIC agenda decisions

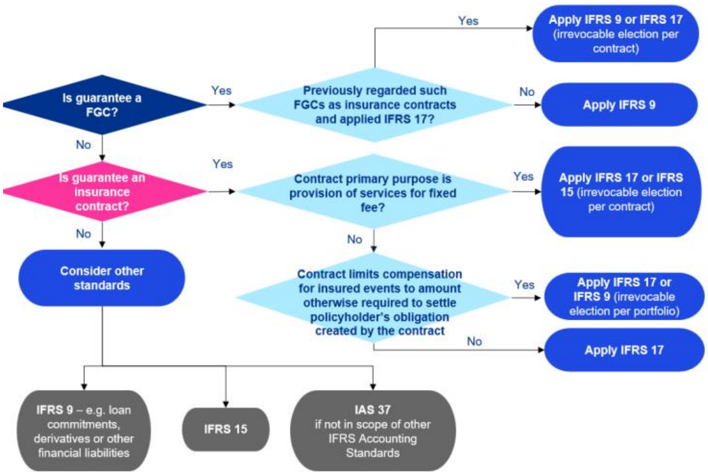
IFRIC agenda decisions relate to financial reporting issues which have been brought to the attention of the IFRS Interpretations Committee (the Committee), where the Committee has decided not to add the issue to its work programme for further deliberation. Often the reason for this is because the Committee believes that existing IFRS requirements provide enough information to determine the accounting, and an agenda decision is published to explain how the applicable principles and requirements of the IFRS Accounting Standards apply to the question submitted. Although agenda decisions are technically non-authoritative as they reflect existing requirements of the Standards, the decisions are viewed as in-substance mandatory by major accounting firms and many regulators around the world.

The IFRS Foundation Due Process Handbook notes that entities should be entitled to "sufficient time" to implement changes in accounting policy that result from an agenda decision published by the Committee. Although "sufficient time" depends on an entity's particular facts and circumstances, the IASB's expectation is that "companies need to consider agenda decisions and implement any necessary accounting policy changes on a timely basis — in other words, as soon and as quickly as possible''[2].

This appendix includes a summary of the IFRIC agenda decisions issued from January 2024 to August 2025, starting with the most recent decisions as of the time of writing. These decisions are published in the IFRS Foundation's newsletter "IFRIC Update", which is published shortly after they are considered by the IASB and the IASB does not object to the agenda decision. The IFRS Foundation website also contains a compilation of past agenda decisions and recordings of the Committee's meetings. Considering that HKFRS Accounting Standards are derived from IFRS Accounting Standards word-for-word, entities preparing financial statements under HKFRS Accounting Standards or IFRS Accounting Standards are expected to change their accounting policies to align with the guidance in the final agenda decisions, to the extent their existing accounting policies materially differ from those described in the agenda decisions, and any such changes in accounting policies will be implemented in a timely manner. More information on these developments can be obtained from your usual KPMG contact.

Meeting date	Issue discussed by the Committee	Summary of the Committee's conclusion on the issue
June 2025	*IAS 29 – Assessing indicators of hyperinflationary economies:* Are all indicators in paragraph 3 of IAS 29 considered in assessing when an economy becomes hyperinflationary? Does IAS 29 require the consideration of other indicators when relevant? Does IAS 29 require both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to reach the same conclusion on when an economy becomes hyperinflationary?	Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.
November 2024	*IAS 38 – Recognition of intangible assets resulting from climate-related expenditure:* An entity that has made a climate commitment has acquired carbon credits and incurred expenditure on climate-related research and development. Do the expenditure meet the requirements in IAS 38 to be recognised as intangible assets?	The Committee did not consider the submission's question about the accounting for carbon credits, as they noted the IASB has been performing research to assess the prevalence and significance of pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits. The IASB will decide whether to add a project on the accounting for PPMs to its work plan during its next agenda consultation. Evidence gathered by the Committee indicated no material diversity in the accounting for expenditure on research activities and development activities. Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

2 "Agenda decisions — Time is of the essence", an article written by the then vice-Chair of the IASB and published on the IFRS Foundation's website.

<table>
<tr><th>Meeting date</th><th>Issue discussed by the Committee</th><th>Summary of the Committee's conclusion on the issue</th></tr>
<tr><td>November 2024</td><td> IAS 7 – Classification of cash flows related to variation margin calls on "collateralised-to-market" contracts: How does an entity present, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and at a specified time in the future? </td><td>The Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.</td></tr>
<tr><td>September 2024</td><td> IFRS 9 / IFRS 15 / IFRS 17 / IAS 37 – Guarantees issued on obligations of other entities: How does an entity account for guarantees that it issues on obligations of a joint venture? In particular, are the guarantees issued financial guarantee contracts (FGCs) to be accounted for in accordance with IFRS 9 and, if not, which other IFRS Accounting Standards apply to these guarantees? </td><td> The Committee noted that guarantees can arise or be issued in many ways and convey various rights and obligations to the affected parties. IFRS Accounting Standards do not define "guarantees" and no single standard can be applied to all guarantees. An entity considers the specific facts and circumstances and the terms and conditions of the guarantees – but not the nature of the entity's business activities – and applies judgement in determining which IFRS Accounting Standard applies. These scoping requirements in IFRS Accounting Standards are highlighted by the Committee and are summarised in the following diagram:


In particular, the Committee highlighted that, based on the scoping requirements as illustrated above, an entity firstly considers whether a guarantee that it issues is an FGC. An FGC is defined in IFRS 9 as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument". However, the term "debt instrument" in the definition is not defined in IFRS Accounting Standards. The International Accounting Standards Board (IASB) discussed diversity in practice in the interpretation of the meaning of the term "debt instrument" at its April 2024 meeting, and decided to consider during its next agenda consultation the broader application questions related to FGC. The Committee therefore concluded that an entity applies judgement in interpreting the meaning of the term "debt instrument" when determining whether a guarantee is accounted for as an FGC. </td></tr>
</table>

Meeting date	Issue discussed by the Committee	Summary of the Committee's conclusion on the issue
		Other than this point, the Committee believes the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for a guarantee that it issues. Consequently, the Committee decided not to add a standard-setting project to the work plan.
September 2024	*IFRS 15 – Recognition of revenue from tuition fees:* An educational institution recognises tuition revenue over time by applying IFRS 15. Should the revenue be recognised evenly over the academic year (10 months, excluding summer break), evenly over the calendar year (12 months), or over a different period?	The Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.
June 2024	*IFRS 8 – Disclosure of revenues and expenses for reportable segments:* Should an entity disclose the amounts specified in paragraph 23 of IFRS 8 for each reportable segment, if those amounts are not reviewed separately by the CODM? How does an entity determine what constitutes "material items" for paragraph 23(f) of IFRS 8?	The Committee observed that paragraph 23 of IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are: • included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately provided to or reviewed by the CODM, or • regularly provided to the CODM, even if they are not included in the measure of segment profit or loss. For determining what constitutes "material items" of income and expense for paragraph 23(f) of IFRS 8, the Committee highlighted that an entity needs to apply judgement and consider the core principle of IFRS 8, which requires an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Detailed considerations about whether information about an item of income and expense is material include: • the nature or magnitude of information, or both. Paragraph 7 of IAS 1 states that an entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole; • requirements in paragraphs 30-31 of IAS 1 on how to aggregate information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions; and • circumstances including, but not limited to, those in paragraph 98 of IAS 1.

Meeting date	**Issue discussed by the Committee**	**Summary of the Committee's conclusion on the issue**
March 2024	*IFRS 3 – Payments contingent on continued employment during handover periods:* How does an entity account for payments to the sellers of a business it has acquired, if those payments are contingent on the sellers' continued employment during a handover period?	The Committee did not observe any significant diversity in practice in respect of the issue identified in the request. It therefore decided not to add a standard-setting project to its work plan. In the fact patterns such as that described in the request, the Committee noted that entities apply the accounting described in the agenda decision *Continuing employment* (published in January 2013) and account for the payments as compensation for post-combination services rather than as additional consideration for the acquisition, unless the service condition is not substantive.
March 2024	*IAS 37 – Climate-related commitments:* Does an entity's public commitment to reduce or offset greenhouse gas ("GHG") emissions create a constructive obligation under IAS 37? If so, should a provision be recognised, and where should the corresponding entry go - an expense or an asset?	The Committee highlighted that an entity recognises a liability only when both of the following tests are met: • Test 1: Does the commitment give rise to a constructive obligation? • Test 2: Are the criteria to recognise a liability all met? This assessment may require significant judgement based on the specific facts and circumstances at each reporting date. Under Test 1, an entity needs to determine if, by past practice or a sufficiently specific communication to affected parties, it has created a valid expectation in other parties (including the public at large) that it will discharge the responsibilities underlying the commitment. Under Test 2, an entity that has a constructive obligation recognises a liability only when all of the following criteria are met: • there is a present obligation as a result of a past event; • it is probable that an outflow of cash or other resources will be required to settle it; and • the entity can reliably estimate the related amount. The Committee also observed that if a provision is recognised, the corresponding amount is recognised as an expense, unless it gives rise to – or forms part of the cost of – an item that qualifies for recognition as an asset in accordance with an IFRS Accounting Standard.

[End of Table C]

Appendix D
Notable HKICPA financial reporting guidance

From time to time, the HKICPA issues educational materials on the application of HKFRS Accounting Standards to cater for local needs and issues and to promote consistent application.

While the guidance is technically non-authoritative, it provides additional insights that might change an entity's understanding of the principles and requirements in HKFRS Accounting Standards and, because of this, an entity might determine that it needs to change its related accounting policies. Specifically, the HKICPA notes in the guidance its expectations that entities have to determine whether their existing accounting policies on the related issues remain appropriate and, if their existing accounting policies are materially different from those described in the guidance, consider implementing a voluntary accounting policy change to conform with the guidance.

Similar to an accounting change that results from an agenda decision published by the Committee (see Appendix C), the HKICPA guidance notes that entities should also be entitled to "sufficient time" to implement changes in accounting policies that result from the guidance, but any such changes should be implemented in a timely manner.

More information on the HKICPA guidance can be obtained from your usual KPMG contact.

Issue date	Title of the publication	Summary of the guidance
22 January 2025	Accounting implications of the government subsidy scheme for the abolition of the MPF offsetting arrangement	The guidance sets out the accounting implications related to the implementation of the government subsidy scheme for the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong SAR (the "Subsidy"). According to the HKICPA guidance, a generally acceptable method is to account for the Subsidy as a government grant in accordance with HKAS 20. Accordingly, the Subsidy will not be recognised until there is reasonable assurance that: • the entity will comply with the conditions attaching to them; and • the grants will be received. It is expected that under most circumstances there would not be reasonable assurance that the conditions associated with the Subsidy would be met until an employer has paid or is about to pay the LSP to their employees in accordance with the Employment Ordinance. The guidance is an extension of the previous guidance on the "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which was published in July 2023.
4 July 2023	Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong	The guidance sets out the accounting considerations relating to: • the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong SAR, and • the abolition of such mechanism, which was gazetted by the Government of the Hong Kong SAR on 9 June 2022 in the form of the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance"). The HKICPA guidance outlines the following two acceptable accounting approaches, which characterise the nature of an employer's right to the accrued benefits arising from its MPF contributions differently, with different recognition, measurement, as well as presentation and disclosure outcomes in an entity's financial statements: • account for the accrued benefits derived from an employer's mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards his LSP benefits • account for an employer's MPF contributions as the employer's funding mechanism which gives rise to a right of reimbursement for its LSP obligation.

[End of Table D]

Appendix E
HKFRS Accounting Standards in issue at 31 August 2025

This appendix lists all the Standards in issue at 31 August 2025 in numerical order, with cross-references to any related Interpretations.

In the tables below "*" and "#" have the following meanings:

- "*" indicates that the Standard (or an amendment to it) is first effective for annual periods beginning 1 January 2025. Table B1 of Appendix B contains further details of these new or amended HKFRS Accounting Standards.
- "#" indicates that the Standard (or an amendment to it) is not yet mandatory in annual periods beginning 1 January 2025, but is available for early adoption. Table B2 of Appendix B contains further details of these new or amended HKFRS Accounting Standards.
- "AIP11" indicates that the Standard is amended by the "Annual Improvements to IFRS Accounting Standards – Volume 11" omnibus standard. This omnibus standard is effective for annual periods beginning 1 January 2026.

Table E: **HKFRS Accounting Standards in issue 31 August 2025**		***Related Interpretations***	
HKFRS 1 [AIP11]	First-time adoption of Hong Kong Financial Reporting Standards	*HK(IFRIC)-Int 12*	*Service concession arrangements*
Amendments to HKAS 21[*]	Lack of exchangeability		
HKFRS 2	Share-based payment	*HK(IFRIC)-Int 19*	*Extinguishing financial liabilities with equity instruments*
HKFRS 3	Business combinations	*HK(IFRIC)-Int 17*	*Distributions of non-cash assets to owners*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKFRS 5	Non-current assets held for sale and discontinued operations	*HK(IFRIC)-Int 17*	*Distributions of non-cash assets to owners*
HKFRS 6	Exploration for and evaluation of mineral resources	*Nil*	
HKFRS 7 [AIP11]	Financial instruments: Disclosures	*HK(IFRIC)-Int 12*	*Service concession arrangements*
Amendments to HKFRS 9 and HKFRS 7[#]	Amendments to the classification and measurement of financial instruments	*HK(IFRIC)-Int 17*	*Distributions of non-cash assets to owners*
Amendments to HKFRS 9 and HKFRS 7[#]	Contracts referencing nature-dependent electricity	*HK-Int 5*	*Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*
HKFRS 8	Operating segments	*Nil*	

Table E (continued):
HKFRS Accounting Standards in issue at 31 August 2025

HKFRS 9 AIP11	Financial instruments	*HK(IFRIC)-Int 2*	*Members' shares in co-operative entities and similar instruments*
Amendments to HKFRS 9 and HKFRS 7#	Amendments to the classification and measurement of financial instruments	*HK(IFRIC)-Int 5*	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
Amendments to HKFRS 9 and HKFRS 7#	Contracts referencing nature-dependent electricity	*HK(IFRIC)-Int 10*	*Interim financial reporting and impairment*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(IFRIC)-Int 16	*Hedges of a net investment in a foreign operation*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
HKFRS 10 AIP11	Consolidated financial statements	*HK(IFRIC)-Int 5*	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
Amendments to HKFRS 10 and HKAS 28#	Sale or contribution of assets between an investor and its associate or joint venture	*HK(IFRIC)-Int 17*	*Distributions of non-cash assets to owners*
HKFRS 11	Joint arrangements	*HK(IFRIC)-Int 5*	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
HKFRS 12	Disclosure of interests in other entities	*Nil*	
HKFRS 13	Fair value measurement	*HK(IFRIC)-Int 2*	*Members' shares in co-operative entities and similar instruments*
		HK(IFRIC)-Int 17	*Distributions of non-cash assets to owners*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
HKFRS 14	Regulatory deferral accounts	*Nil*	
HKFRS 15	Revenue from contracts with customers	*HK(IFRIC)-Int 12*	*Service concession arrangements*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKFRS 16	Leases	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(SIC)-Int 29	*Service concession arrangements: Disclosures*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKFRS 17	Insurance contracts	*Nil*	
HKFRS 18#	Presentation and disclosure in financial statements	*Nil*	
HKFRS 19#	Subsidiaries without public accountability: disclosures	*Nil*	
Amendments to IFRS 19#1	Subsidiaries without public accountability: disclosures		

Table E (continued):
HKFRS Accounting Standards in issue at 31 August 2025

HKAS 1	Presentation of financial statements	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 14	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
		HK(IFRIC)-Int 17	*Distributions of non-cash assets to owners*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
		HK(IFRIC)-Int 20	*Stripping costs in the production phase of a surface mine*
		HK(IFRIC)-Int 21	*Levies*
		HK(IFRIC)-Int 23	*Uncertainty over income tax treatments*
		HK(SIC)-Int 25	*Income taxes – Changes in the tax status of an entity or its shareholders*
		HK(SIC)-Int 29	*Service concession arrangements: Disclosures*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
		HK-Int 5	*Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*
HKAS 2	Inventories	*HK(IFRIC)-Int 20*	*Stripping costs in the production phase of a surface mine*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKAS 7 [AIP11]	Statement of cash flows	*Nil*	
HKAS 8	Accounting policies, changes in accounting estimates and errors	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 5	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
		HK(IFRIC)-Int 6	*Liabilities arising from participating in a specific market - Waste electrical and electronic equipment*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(IFRIC)-Int 14	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
		HK(IFRIC)-Int 16	*Hedges of a net investment in a foreign operation*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
		HK(IFRIC)-Int 21	*Levies*
		HK(IFRIC)-Int 22	*Foreign currency transactions and advance consideration*
		HK(IFRIC)-Int 23	*Uncertainty over income tax treatments*
		HK(SIC)-Int 10	*Government assistance - No specific relation to operating activities*

Table E (continued):
HKFRS Accounting Standards in issue at 31 August 2025

		HK(SIC)-Int 25	*Income taxes – Changes in the tax status of an entity or its shareholders*
HKAS 10	Events after the reporting period	*HK(IFRIC)-Int 17*	*Distributions of non-cash assets to owners*
		HK(IFRIC)-Int 23	*Uncertainty over income tax treatments*
HKAS 12	Income taxes	*HK(IFRIC)-Int 7*	*Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies*
		HK(IFRIC)-Int 21	*Levies*
		HK(IFRIC)-Int 23	*Uncertainty over income tax treatments*
		HK(SIC)-Int 25	*Income taxes – Changes in the tax status of an entity or its shareholders*
HKAS 16	Property, plant and equipment	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(IFRIC)-Int 20	*Stripping costs in the production phase of a surface mine*
		HK(SIC)-Int 29	*Service concession arrangements: Disclosures*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKAS 19	Employee benefits	*HK(IFRIC)-Int 14*	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
HKAS 20	Accounting for government grants and disclosure of government assistance	*HK(IFRIC)-Int 12*	*Service concession arrangements*
		HK(IFRIC)-Int 21	*Levies*
		HK(SIC)-Int 10	*Government assistance - No specific relation to operating activities*
HKAS 21	The effects of changes in foreign exchange rates	*HK(IFRIC)-Int 16*	*Hedges of a net investment in a foreign operation*
Amendments to HKAS 21*	Lack of exchangeability	*HK(IFRIC)-Int 22*	*Foreign currency transactions and advance consideration*
HKAS 23	Borrowing costs	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 12	*Service concession arrangements*
HKAS 24	Related party disclosures	*HK(IFRIC)-Int 21*	*Levies*
HKAS 26	Accounting and reporting by retirement benefit plans	*Nil*	
HKAS 27	Separate financial statements	*Nil*	
HKAS 28	Investments in associates and joint ventures	*HK(IFRIC)-Int 5*	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
Amendments to HKFRS 10 and HKAS 28#	Sale or contribution of assets between an investor and its associate or joint venture		
HKAS 29	Financial reporting in hyperinflationary economies	*HK(IFRIC)-Int 7*	*Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies*

Table E (continued):
HKFRS Accounting Standards in issue at 31 August 2025

HKAS 32	Financial instruments: Presentation	*HK(IFRIC)-Int 2*	*Members' shares in co-operative entities and similar instruments*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(IFRIC)-Int 19	*Extinguishing financial liabilities with equity instruments*
HKAS 33	Earnings per share	*Nil*	
HKAS 34	Interim financial reporting	*HK(IFRIC)-Int 10*	*Interim financial reporting and impairment*
		HK(IFRIC)-Int 21	*Levies*
HKAS 36	Impairment of assets	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 10	*Interim financial reporting and impairment*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKAS 37	Provisions, contingent liabilities and contingent assets	*HK(IFRIC)-Int 1*	*Changes in existing decommissioning, restoration and similar liabilities*
		HK(IFRIC)-Int 5	*Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*
		HK(IFRIC)-Int 6	*Liabilities arising from participating in a specific market - Waste electrical and electronic equipment*
		HK(IFRIC)-Int 12	*Service concession arrangements*
		HK(IFRIC)-Int 14	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
		HK(IFRIC)-Int 21	*Levies*
		HK(SIC)-Int 29	*Service concession arrangements: Disclosures*
HKAS 38	Intangible assets	*HK(IFRIC)-Int 12*	*Service concession arrangements*
		HK(IFRIC)-Int 20	*Stripping costs in the production phase of a surface mine*
		HK(SIC)-Int 29	*Service concession arrangements: Disclosures*
		HK(SIC)-Int 32	*Intangible assets - Web site costs*
HKAS 39	Financial instruments: Recognition and measurement (Note: Entities are allowed, as an accounting policy choice, to continue to apply the hedge accounting requirements in HKAS 39 instead of HKFRS 9.)	*Nil*	
HKAS 40	Investment property	*Nil*	
HKAS 41	Agriculture	*Nil*	

Appendix F

Exposure drafts in issue at 31 August 2025

Exposure drafts (EDs) are discussion documents issued for comment and are not mandatory. The proposals are an indication with respect to the detailed content of future accounting pronouncements, but they cannot be adopted early to the extent that they contradict existing requirements. Therefore, particular care should be taken if intending to follow any of the proposals or guidance in the EDs that propose changes to existing HKFRS Accounting Standards.

The HKICPA has adopted a practice of inviting comments on EDs issued by the IASB during the comment period, for the HKICPA to consider and pass on to the IASB as part of its submission. In such cases, the HKICPA has stated that it will not issue a specific Hong Kong ED on the same subject unless any changes made by the IASB are so significant as to warrant, in the opinion of the HKICPA, seeking further comment. If the HKICPA does not consider it necessary to seek further comment it will generally adopt the Standard or Interpretation, once finalised by the IASB.

Exposure drafts	Expiry date of comment period
EDs not yet finalised by the IASB at 31 August 2025	
Exposure Draft, *Provisions – Targeted Improvements*	12 March 2025
Exposure Draft, *Equity method of accounting*	20 January 2025
Exposure Draft, *Translation to a hyperinflationary presentation currency*	22 November 2024
Exposure Draft, *Business combinations – disclosures, goodwill and impairment*	15 July 2024
Exposure Draft, *Financial instruments with characteristics of equity*	29 March 2024
Exposure Draft, *Regulatory assets and regulatory liabilities*	30 July 2021

Appendix G
Requirements applicable to entities not incorporated under the Hong Kong Companies Ordinance and listed on the Stock Exchange of Hong Kong

In general, overseas issuers incorporated in the common law jurisdictions of Bermuda and the Cayman Islands may list on the Stock Exchange of Hong Kong Limited (Exchange) and the Listing Rules apply as much to them as to issuers incorporated under the Hong Kong Companies Ordinance, subject to the additional requirements set out or referred to in Chapter 19 of the Main Board Listing Rules (MBLRs) (or Chapter 24 of the GEM Listing Rules in the case of listing on GEM). An issuer which is duly incorporated in Chinese Mainland as a joint stock limited company (defined as "PRC issuers" in Chapter 19A.04 of the MBLRs) may also list on the Exchange and the Listing Rules apply as much to them as to issuers incorporated under the Hong Kong Companies Ordinance , subject to additional requirements, modifications and exceptions set out or referred to in Chapter 19A of the MBLRs (or Chapter 25 of the GEM Listing Rules in the case of listing on GEM).

This Appendix lists out areas where Chinese Mainland/overseas incorporated entities listed on the Exchange should take particular care, so far as financial reporting is concerned, with a focus on the differences compared to issuers incorporated under the Hong Kong Companies Ordinance.

I. Auditor's report

This Guide includes an illustrative audit report on the financial statements of an issuer incorporated under the Hong Kong Companies Ordinance prepared under Hong Kong Standard on Auditing 700 (Revised) on pages 24 – 28. The differences between this report and the reports to be issued by auditors when the listed issuer is not incorporated under the Hong Kong Companies Ordinance are summarised below. The full wording of the auditor's report applicable for Chinese Mainland, Cayman Islands or Bermuda incorporated issuers is included at the end of this Appendix:

<table>
<tr><th></th><th>Elements of auditor's report</th><th>Issuers incorporated under the Hong Kong Companies Ordinance</th><th>Chinese Mainland or Cayman Islands incorporated issuers</th><th>Bermuda incorporated issuers</th></tr>
<tr><td>1.</td><td>Place of incorporation</td><td colspan="3">Although it is not a requirement in HKSA 700 or ISA 700, in Hong Kong it is common practice to disclose the place of incorporation of the company below the title and the addressee of the auditor's report.</td></tr>
<tr><td>2.</td><td>Opinion</td><td>• The auditor's opinion is referenced to the applicable financial reporting framework and the Hong Kong Companies Ordinance.
• The terms "financial position" and "financial performance" are specifically required to be used in the statement of the auditor's opinion by the Hong Kong Companies Ordinance.</td><td colspan="2">• The auditor's opinion is referenced to the applicable financial reporting framework and the disclosure requirements of the Hong Kong Companies Ordinance.
• Any terms used in the statement of the auditor's opinion should follow the company law of the country of incorporation. If there is no specific term required by the relevant company law, then the terms "financial position" and "financial performance" may be used to be in line with the Hong Kong market.</td></tr>
<tr><td>3.</td><td>Responsibilities of the directors for the consolidated financial statements</td><td>The description of the directors' responsibilities is referenced to the applicable financial reporting framework and the Hong Kong Companies Ordinance.</td><td colspan="2">The description of the directors' responsibilities is referenced to the applicable financial reporting framework and the disclosure requirements of the Hong Kong Companies Ordinance.</td></tr>
<tr><td>4.</td><td>Auditor's responsibilities for the audit of the consolidated financial statements</td><td>The description of the auditor's responsibilities is referenced to section 405 of the Hong Kong Companies Ordinance.</td><td>The description of the auditor's responsibilities is not referenced to any ordinance or legislation.</td><td>The description of the auditor's responsibilities is referenced to Section 90 of the Bermuda Companies Act 1981.</td></tr>
</table>

II. Disclosures of financial information under the Listing Rules

Appendix D2 to the MBLRs and Chapter 18 of the GEM Listing Rules set out the minimum financial information that listed issuers should include in their financial reports, preliminary announcements, circulars etc. These apply equally to issuers incorporated under the Hong Kong Companies Ordinance and issuers not incorporated under the Hong Kong Companies Ordinance. However, both Appendix D2 and Chapter 18 also contain disclosure requirements concerning annual reports which are applicable only to overseas issuers and PRC issuers. These are summarised below:

- overseas issuers or PRC issuers shall include a statement, where applicable, that no pre-emptive rights exist in the jurisdictions in which the listed issuers are incorporated or otherwise established (ref: D2.20);
- overseas issuers or PRC issuers shall include the information necessary to enable holders of their listed securities to obtain any relief from taxation to which they are entitled by reason of their holding of such securities (ref: D2.21 / GEM Rules 24.19 & 25.31);
- for overseas issuers or PRC issuers, the statement of reserves available for distribution to shareholders required by paragraph 29 of Appendix D2 to the MBLRs or GEM Rule 18.37 should be calculated in accordance with any statutory provisions applicable in the issuer's place of incorporation or, in the absence of such provisions, with generally accepted accounting principles (ref: D2.29(2) / GEM Rules 24.21 & 25.33); and
- for PRC issuers, disclosures required by paragraphs 12 to 15 and 24 of Appendix D2 to the MBLRs relating to directors' biographical details, interests and short positions in shares, underlying shares and debentures, interests in transactions, arrangements or contracts, service contracts and emoluments also apply to the supervisors of the PRC issuers (similar requirements in GEM Rule 18.28).

III. Applicability of the Hong Kong Companies Ordinance

Paragraph 28 of Appendix D2 to the MBLRs specifically requires listed issuers, whether or not they are incorporated under the Hong Kong Companies Ordinance, to include disclosures required under the following provisions of the Hong Kong Companies Ordinance (Cap. 622) and subsidiary legislation (similar requirements in GEM Rules 24.20 and 25.32):

In financial statements:

(a) Section 383 - Notes to financial statements to contain information on directors' emoluments etc

(b) Schedule 4 - Accounting Disclosures relating to

- Part 1(1) Aggregate amount of authorized loans
- Part 1(2) Statement of financial position to be contained in notes to annual consolidated financial statements
- Part 1(3) Subsidiary's financial statements must contain particulars of ultimate parent undertaking
- Part 2(1) Remuneration of auditor; and

(c) Companies (Disclosure of Information about Benefits of Directors) Regulation

In directors' report:

(a) Section 390 - Contents of directors' report: general#

(b) Section 470 - Permitted indemnity provision to be disclosed in directors' report

(c) Section 543 - Disclosure of management contract

(d) Schedule 5 - Content of Directors' Report: Business Review; and

(e) Companies (Directors' Report) Regulation

Section 390(3)(b) of the Hong Kong Companies Ordinance (Cap. 622) as originally issued requires a company to disclose the names of the directors of its subsidiaries when the directors' report accompanies consolidated financial statements. However, this requirement was explicitly excluded from the level playing field requirements in the MBLRs and therefore issuers not incorporated under the Hong Kong Companies Ordinance were only required to disclose the names of directors of the holding company (Source: D2: Note 28.2)

With effect from 1 February 2019, Section 390 has been amended such that there is no longer a requirement for a company incorporated under the Hong Kong Companies Ordinance to disclose the names of the directors of its subsidiaries in the directors' report, provided the list of names is available at the company's registered office or its website. Therefore, with effect from 1 February 2019, there is no longer a difference between issuers incorporated under the Hong Kong Companies Ordinance and issuers not incorporated under the Hong Kong Companies Ordinance in this regard, so far as disclosure in the directors' report is concerned.

As a result of the above, in the "Statement of compliance" note in the financial statements of issuers not incorporated under the Hong Kong Companies Ordinance, the word "disclosure" is normally inserted before the words "requirements of the Hong Kong Companies Ordinance", in order to specify that the financial statements have complied with the disclosure aspects of the Hong Kong Companies Ordinance.

Example auditor's report for Chinese Mainland or Cayman Islands incorporated issuers

Independent auditor's report to the shareholders of [*name of company*]

([established][incorporated] in the [People's Republic of China] [Cayman Islands] with limited liability)

Opinion

We have audited the consolidated financial statements of [*name of company*] ("the company") and its subsidiaries ("the group") set out on pages .... to........, 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 ("HKSAs") 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.

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.

<table>
<tr><td colspan="2">[Heading: name the specific key audit matter]</td></tr>
<tr><td colspan="2">Refer to notes [...] to the consolidated financial statements and the accounting policies on page [...].</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>[description]
We identified [name of specific key audit matter] as a key audit matter because […]</td><td>Our audit procedures to […] included the following:
• …</td></tr>
</table>

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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- 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 [*partner's name as appearing on his/her Practising Certificate*] (practising certificate number: *[XXXXXX]*).

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

27 March 2026

Example auditor's report for Bermuda incorporated issuers

Independent auditor's report to the shareholders of [*name of company*]

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of [*name of company*] ("the company") and its subsidiaries ("the group") set out on pages .... to........, 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 ("HKSAs") 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.

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.

[*Heading: name the specific key audit matter*]	
Refer to notes [...] to the consolidated financial statements and the accounting policies on page [...].	
The Key Audit Matter	**How the matter was addressed in our audit**
[*description*] We identified [*name of specific key audit matter*] as a key audit matter because […]	Our audit procedures to […] included the following: • …

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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 [*partner's name as appearing on his/her Practising Certificate*] (practising certificate number: *[XXXXXX]*).

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27 March 2026

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