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WINFULL GROUP HOLDINGS LIMITED
宏輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 183)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

FINAL RESULTS

The board of directors (the “Director(s)”) (the “Board”) of Winfull Group Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2023 (the “Year”), together with the comparative figures for the year ended 30 June 2022:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 (re-presented) |
|--------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------------------|
| Revenue | 4 | 38,029 | 33,353 |
| Cost of sales | | <u>(12,551)</u> | <u>(6,749)</u> |
| Gross profit | | 25,478 | 26,604 |
| Other income | 5 | 15,919 | 4,583 |
| Gain on disposal of investment properties | | 1,376 | – |
| Administrative expenses and other operating expenses | | (34,350) | (43,203) |
| Fair value loss on investment properties | | (11,407) | (110,502) |
| Fair value gain of debt instruments at fair value through profit or loss (“FVTPL”) | 10 | – | 9,475 |
| Fair value loss of equity instruments at FVTPL | 10 | (6) | (843) |
| Fair value loss of financial instruments at FVTPL | 10 | (52,225) | (26,240) |
| Gain/(Loss) on disposal of debt instruments at fair value through other comprehensive income (“FVOCI”) | | 50 | (143) |
| Loss allowance on debt instruments at FVOCI | | (2,628) | – |
| Loss allowance on loan receivables | | (2,248) | – |
| Write-down of properties held for trading | | (282) | (888) |
| Write-off of deposit paid | | (2,977) | – |
| Finance costs | | <u>(6,052)</u> | <u>(2,360)</u> |
| Loss before income tax | 6 | (69,352) | (143,517) |
| Income tax credit | 7 | <u>1,853</u> | <u>989</u> |
| Loss for the year | | <u>(67,499)</u> | <u>(142,528)</u> |
| (Loss)/Profit for the year attributable to: | | | |
| Owners of the Company | | (67,611) | (144,050) |
| Non-controlling interests | | <u>112</u> | <u>1,522</u> |
| | | <u>(67,499)</u> | <u>(142,528)</u> |
| Loss per share | 9 | | |
| – Basic | | HK(11.93) cents | HK(25.69) cents |
| – Diluted | | HK(11.93) cents | HK(25.69) cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------------------------------------------------|-------|------------------|------------------|
| Loss for the year | | (67,499) | (142,528) |
| Other comprehensive income for the year | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Changes in fair value of equity instruments at FVOCI | 10 | 287 | (6,567) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Changes in fair value of debt instruments at FVOCI | 10 | (2,628) | (10,485) |
| Release of FVOCI reserve upon disposal of debt instruments at FVOCI | | (50) | 143 |
| Loss allowance on debt instruments at FVOCI | | 2,628 | – |
| Exchange differences arising on translation of foreign operations | | (3,249) | 1,111 |
| Other comprehensive income for the year, net of tax | | (3,012) | (15,798) |
| Total comprehensive income for the year | | (70,511) | (158,326) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | (70,623) | (159,848) |
| Non-controlling interests | | 112 | 1,522 |
| | | (70,511) | (158,326) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------------------------------------|--------------|--------------------------------|-------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 138,467 | 140,844 |
| Investment properties | | 837,359 | 865,873 |
| Intangible assets | | 1,344 | 2,393 |
| Interests in associate | | – | – |
| Loan receivables | | 33,507 | 6,565 |
| Equity instruments at FVOCI | 10 | 37,635 | 33,097 |
| Financial instruments at FVTPL | 10 | 350,571 | 402,371 |
| Debt instruments at FVOCI | 10 | 74,243 | 4,507 |
| | | <u>1,473,126</u> | <u>1,455,650</u> |
| Current assets | | | |
| Properties held for trading | | 96,980 | 106,485 |
| Trade receivables | 11 | 1,624 | 1,603 |
| Prepayments, deposits and other receivables | | 12,035 | 8,305 |
| Debt instruments at FVOCI | 10 | 7,985 | 5,194 |
| Debt instrument at amortised cost | 10 | – | 4,762 |
| Equity instruments at FVTPL | 10 | 20 | 26 |
| Cash and bank balances | | 139,260 | 212,564 |
| Pledged bank deposits | | 108,205 | 164,480 |
| | | <u>366,109</u> | <u>503,419</u> |
| Current liabilities | | | |
| Accrued expenses, other payables and deposits received | | 5,136 | 20,017 |
| Borrowings | | 183,311 | 219,275 |
| Amounts due to non-controlling shareholders | | 2,312 | 2,160 |
| Provision for income tax | | 23,968 | 23,569 |
| | | <u>214,727</u> | <u>265,021</u> |
| Net current assets | | <u>151,382</u> | <u>238,398</u> |
| Total assets less current liabilities | | <u>1,624,508</u> | <u>1,694,048</u> |

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-----------------------------------------------------|--------------------------------|-------------------------|
| Non-current liabilities | | |
| Deposits received | 3,252 | 1,929 |
| Borrowings | 939 | 1,357 |
| Deferred tax liabilities | 3,374 | 5,175 |
| | <u>7,565</u> | <u>8,461</u> |
| Net assets | <u>1,616,943</u> | <u>1,685,587</u> |
| EQUITY | | |
| Share capital | 56,691 | 56,081 |
| Reserves | 1,560,678 | 1,630,044 |
| | <u>1,617,369</u> | <u>1,686,125</u> |
| Equity attributable to owners of the Company | <u>1,617,369</u> | <u>1,686,125</u> |
| Non-controlling interests | <u>(426)</u> | <u>(538)</u> |
| | <u>1,616,943</u> | <u>1,685,587</u> |
| Total equity | <u>1,616,943</u> | <u>1,685,587</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

| | Equity attributable to owners of the Company | | | | | | | | | Total equity HK\$'000 |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------|---------------------------------|-----------------------------------------|---------------------------|---------------------------|-----------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Share-based payment reserve HK\$'000 | FVOCI reserve HK\$'000 | Other reserve HK\$'000 | Retained profit HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | |
| At 1 July 2021 | 56,081 | 1,570,851 | 3,644 | 11,867 | 6,118 | 1,380 | 195,856 | 1,845,797 | (3,328) | 1,842,469 |
| Equity-settled share-based payments | - | - | - | 435 | - | - | - | 435 | - | 435 |
| Acquisition of a subsidiary without change in control | - | - | - | - | - | (259) | - | (259) | 1,268 | 1,009 |
| Transactions with owners and changes in ownership interests in subsidiaries that do not result in a loss of control | - | - | - | 435 | - | (259) | - | 176 | 1,268 | 1,444 |
| Loss for the year | - | - | - | - | - | - | (144,050) | (144,050) | 1,522 | (142,528) |
| Other comprehensive income: | | | | | | | | | | |
| Changes in fair value of equity instruments at FVOCI (Note 10) | - | - | - | - | (6,567) | - | - | (6,567) | - | (6,567) |
| Changes in fair value of debts instruments at FVOCI (Note 10) | - | - | - | - | (10,485) | - | - | (10,485) | - | (10,485) |
| Release of FVOCI reserve upon disposals of debts instruments at FVOCI | - | - | - | - | 143 | - | - | 143 | - | 143 |
| Release of FVOCI reserve upon disposals of equity instruments at FVOCI | - | - | - | - | (8,174) | - | 8,174 | - | - | - |
| Exchange differences arising on translation of foreign operations | - | - | 1,111 | - | - | - | - | 1,111 | - | 1,111 |
| Total comprehensive income for the year | - | - | 1,111 | - | (25,083) | - | (135,876) | (159,848) | 1,522 | (158,326) |
| At 30 June 2022 | 56,081 | 1,570,851 | 4,755 | 12,302 | (18,965) | 1,121 | 59,980 | 1,686,125 | (538) | 1,685,587 |

Equity attributable to owners of the Company

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Share- based payment reserve <i>HK\$'000</i> | FVOCI reserve <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> | Retained profit/ (Accumulated losses) <i>HK\$'000</i> | Total <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
|-------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------------------------------------|--------------------------|-----------------------------------------------------|------------------------------------|
| At 1 July 2022 | 56,081 | 1,570,851 | 4,755 | 12,302 | (18,965) | 1,121 | 59,980 | 1,686,125 | (538) | 1,685,587 |
| Transfer upon lapse of share options | - | - | - | (435) | - | - | 435 | - | - | - |
| Shares issued upon exercise of share options | 610 | 1,719 | - | (462) | - | - | - | 1,867 | - | 1,867 |
| Transactions with owners | 610 | 1,719 | - | (897) | - | - | 435 | 1,867 | - | 1,867 |
| Loss for the year | - | - | - | - | - | - | (67,611) | (67,611) | 112 | (67,499) |
| Other comprehensive income: | | | | | | | | | | |
| Changes in fair value of equity instruments at FVOCI (<i>Note 10</i>) | - | - | - | - | 287 | - | - | 287 | - | 287 |
| Changes in fair value of debts instruments at FVOCI (<i>Note 10</i>) | - | - | - | - | (2,628) | - | - | (2,628) | - | (2,628) |
| Release of FVOCI reserve upon disposals of debts instruments at FVOCI | - | - | - | - | (50) | - | - | (50) | - | (50) |
| Release of FVOCI reserve upon disposals of equity instruments at FVOCI | - | - | - | - | (280) | - | 280 | - | - | - |
| Loss allowance on debt instruments at FVOCI | - | - | - | - | 2,628 | - | - | 2,628 | - | 2,628 |
| Exchange differences arising on translation of foreign operations | - | - | (3,249) | - | - | - | - | (3,249) | - | (3,249) |
| Total comprehensive income for the year | - | - | (3,249) | - | (43) | - | (67,331) | (70,623) | 112 | (70,511) |
| At 30 June 2023 | 56,691 | 1,572,570 | 1,506 | 11,405 | (19,008) | 1,121 | (6,916) | 1,617,369 | (426) | 1,616,943 |

Other reserve represents the difference between the changes in proportionate share of the carrying amount of its subsidiaries' net assets or liabilities and the consideration paid or received for the changes of certain interests in subsidiaries that does not result in a loss of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

Winfull Group Holdings Limited (the “Company”) is an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit A, 6/F, 9 Queen’s Road Central, Hong Kong. The Company’s issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2 December 2010. The directors of the Company consider the ultimate holding company of the Company to be Virtue Partner Group Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. The Group was principally engaged in the investment, trading and development of property and securities investment and trading. There were no significant changes in the Group’s operation during the year.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 Adoption of amended HKFRSs – effective 1 July 2022

In the current year, the Group has applied for the first time the following amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2022:

| | |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------|
| Annual Improvements to HKFRSs 2018-2020 | Amendments to HKFRS 9 Financial Instruments, and illustrative Examples accompanying HKFRS 16 Leases |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

The adoption of these amended HKFRSs does not have significant impact on the Group’s results and financial position for the current and prior periods.

2.2 New and amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's consolidated financial statements.

| | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 21 | Lack of Exchangeability ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-Current (the "2020 Amendments") ^{2, 4} |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| HKFRS 17 | Insurance Contracts ¹ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate on Joint Venture ⁵ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

⁵ No mandatory effective date yet determined but available for adoption.

The Group is in the process of making an assessment of what the impact of these amendments 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.

3. SEGMENT INFORMATION

The executive directors have identified the Group's five (2022: five) product and service lines as operating segments as further described based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

For better reflection of the revenue structure and performance measurement after continuous acquisition of securities and other investments during the year ended 30 June 2023, as well as enhancing the comparability of the segment results, the operating segments were reallocated during the year ended 30 June 2023. The segment information in 2022 was re-presented accordingly.

There was no inter-segment sale and transfer during the year (2022: Nil).

| | 2023 | | | | | Total HK\$'000 |
|-----------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|------------------------------------|-------------------|
| | Property Development Business HK\$'000 | Property Investment and Trading Business HK\$'000 | Security Investment and Trading Business HK\$'000 | Loan Financing Business HK\$'000 | Renovation Business HK\$'000 | |
| Reportable segment revenue: | | | | | | |
| From external customers | 8,546 | 21,727 | 4,230 | 3,526 | – | 38,029 |
| Reportable segment profit/(loss) | 3,711 | 91 | (60,729) | 1,265 | (7) | (55,669) |
| Bank interest income | 12 | 27 | 10,099 | – | – | 10,138 |
| Depreciation | – | (2,959) | (1,352) | – | – | (4,311) |
| Fair value loss on investment properties | – | (11,407) | – | – | – | (11,407) |
| Fair value loss of equity instruments at FVTPL | – | – | (6) | – | – | (6) |
| Fair value gain/(loss) of financial instruments at FVTPL | 1,412 | – | (53,637) | – | – | (52,225) |
| Reversal of impairment on intangible assets | – | – | 556 | – | – | 556 |
| Reversal of write-down/(Write-down) of properties held for trading | 1,181 | (1,463) | – | – | – | (282) |
| Loss allowance on debt instruments at FVOCI | – | – | (2,628) | – | – | (2,628) |
| Loss allowance on loan receivables | – | – | – | (2,248) | – | (2,248) |
| Write-off of deposits paid | – | (2,977) | – | – | – | (2,977) |
| Income tax credit | – | 1,853 | – | – | – | 1,853 |
| Reportable segment assets | 31,572 | 914,264 | 486,647 | 35,503 | 16 | 1,468,002 |
| Additions to non-current assets | – | – | 1,934 | – | – | 1,934 |
| Reportable segment liabilities | 24,238 | 11,053 | 358 | 13 | 14 | 35,676 |

| | 2022 | | | | | |
|-----------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------|-------------------------------------|
| | Property Development Business HK\$'000 | Property Investment and Trading Business HK\$'000 (re-presented) | Security Investment and Trading Business HK\$'000 (re-presented) | Loan Financing Business HK\$'000 (re-presented) | Renovation Business HK\$'000 | Total HK\$'000 (re-presented) |
| Reportable segment revenue: | | | | | | |
| From external customers | – | 21,844 | 10,771 | 738 | – | 33,353 |
| Reportable segment profit/(loss) | 7,896 | (94,185) | (32,264) | 702 | (10) | (117,861) |
| Bank interest income | – | – | 1,729 | – | – | 1,729 |
| Depreciation | – | (3,347) | (1,267) | – | – | (4,614) |
| Fair value loss on investment properties | – | (110,502) | – | – | – | (110,502) |
| Fair value gain of debt instruments at FVTPL | – | – | 9,475 | – | – | 9,475 |
| Fair value loss of equity instruments at FVTPL | – | – | (843) | – | – | (843) |
| Fair value gain/(loss) financial instruments at FVTPL | 10,451 | – | (36,691) | – | – | (26,240) |
| Provision for impairment loss on intangible assets | – | – | (1,431) | – | – | (1,431) |
| (Write-down)/Reversal of write-down of properties held for trading | (1,181) | 293 | – | – | – | (888) |
| Income tax credit | – | 989 | – | – | – | 989 |
| Reportable segment assets | 55,847 | 958,269 | 495,276 | 9,574 | 16 | 1,518,982 |
| Additions to non-current assets | – | 16,599 | 2,385 | – | – | 18,984 |
| Reportable segment liabilities | 36,773 | 11,196 | 400 | 45 | 27 | 48,441 |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> (re-presented) |
|---------------------------------------------|-------------------------|-------------------------------------------|
| Revenue | | |
| Reportable segment revenue | <u>38,029</u> | <u>33,353</u> |
| Consolidated revenue | <u>38,029</u> | <u>33,353</u> |
| Loss before income tax | | |
| Reportable segment loss | (55,669) | (117,861) |
| Bank interest income | 10,138 | 1,729 |
| Exchange loss, net | (505) | (9,655) |
| Equity-settled share-based payment expenses | – | (435) |
| Corporate employee costs | (17,977) | (18,228) |
| Corporate professional fees | (1,700) | (1,674) |
| Interest for bank borrowings | (6,052) | (2,360) |
| Unallocated corporate income | 2,469 | 4,984 |
| Unallocated corporate expenses | (56) | (17) |
| Consolidated loss before income tax | <u>(69,352)</u> | <u>(143,517)</u> |
| Assets | | |
| Reportable segment assets | 1,468,002 | 1,518,982 |
| Property, plant and equipment | 138,467 | 140,844 |
| Corporate pledge bank deposits | 108,205 | 164,480 |
| Corporate time deposits | <u>124,561</u> | <u>134,763</u> |
| Consolidated total assets | <u>1,839,235</u> | <u>1,959,069</u> |
| Liabilities | | |
| Reportable segment liabilities | 35,676 | 48,441 |
| Corporate bank borrowings | 184,250 | 220,632 |
| Other corporate liabilities | <u>2,366</u> | <u>4,409</u> |
| Consolidated total liabilities | <u>222,292</u> | <u>273,482</u> |

The Group's reportable segment revenue from external customers and its non-current assets are divided into the following geographical areas:

| | Revenue from external customer | | Non-current assets | |
|----------------|-----------------------------------|-------------------------------------------|-------------------------|-------------------------|
| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> (re-presented) | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
| Hong Kong | 23,930 | 29,488 | 890,711 | 919,737 |
| United Kingdom | 11,934 | 3,093 | 54,373 | 58,096 |
| Japan | <u>2,165</u> | <u>772</u> | <u>32,086</u> | <u>31,277</u> |
| | <u>38,029</u> | <u>33,353</u> | <u>977,170</u> | <u>1,009,110</u> |

Geographical location of customers is based on the location at which the services were provided and the goods were delivered. Geographical location of non-current assets is based on (i) the physical location of the assets (for property, plant and equipment and investment properties); and (ii) location of operation (for intangible assets).

During the year ended 30 June 2023, there was neither revenue from external customers attributable to the Cayman Islands (domicile) (2022: Nil) nor non-current assets were located in the Cayman Islands (2022: Nil). The country of domicile is the country where the Company is incorporated.

Revenue from the major customers is as follows:

| | 2023 | 2022 |
|-------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Customer A (<i>Note i</i>) | 4,200 | 4,200 |
| Customer B (<i>Note ii</i>) | 3,015 | N/A |
| Customer C (<i>Note ii</i>) | 2,812 | N/A |
| Customer D (<i>Note i</i>) | 2,808 | 3,093 |
| Customer E (<i>Note i</i>) | 2,796 | 2,796 |
| | 15,631 | 10,089 |

Notes:

- (i) The revenue was derived from the Property Investment and Trading Business.
- (ii) The revenue was derived from the Property Development Business. Customer B and C did not represent a major customer of the Group for the year ended 30 June 2022.

Revenue recognition is recognised as follows:

| | Property Development Business | | Property Investment and Trading Business | | Renovation Business | | Security Investment and Trading Business | | Loan Financing Business | | Total | |
|---------------------------------------------------------------------|-------------------------------|----------|------------------------------------------|---------------|---------------------|----------|------------------------------------------|---------------|-------------------------|------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers recognised at a point in time | | | | | | | | | | | | |
| - Sale of properties held for trading | 8,546 | - | - | - | - | - | - | - | - | - | 8,546 | - |
| Revenue from leasing | - | - | 21,727 | 21,844 | - | - | - | - | - | - | 21,727 | 21,844 |
| Revenue from other sources | - | - | - | - | - | - | 4,230 | 10,771 | 3,526 | 738 | 7,756 | 11,509 |
| | 8,546 | - | 21,727 | 21,844 | - | - | 4,230 | 10,771 | 3,526 | 738 | 38,029 | 33,353 |

4. REVENUE

The Group's principal activities are disclosed in Note 1. Revenue from the Group's principal activities are recognised as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> (re-presented) |
|---------------------------------------------------------------------|-------------------------|-------------------------------------------|
| Revenue from contracts with customers recognised at a point in time | | |
| – Sale of properties held for trading | 8,546 | – |
| Rental income from investment properties | 21,727 | 21,844 |
| Revenue from other sources | | |
| – Sale of securities | – | 3,870 |
| – Dividend income from securities | 1,221 | 917 |
| – Interest income from securities | 3,009 | 5,984 |
| – Interest income from loan financing | 3,526 | 738 |
| | <u>38,029</u> | <u>33,353</u> |

5. OTHER INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> (re-presented) |
|------------------------------------------------|-------------------------|-------------------------------------------|
| Bank interest income | 10,138 | 1,729 |
| Government grant (<i>note</i>) | 272 | 136 |
| Rental income from properties held for trading | 3,312 | 2,042 |
| Sundry income | 2,197 | 676 |
| | <u>15,919</u> | <u>4,583</u> |

Note:

Government grant of HK\$272,000 (2022: HK\$136,000) was obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend this grant on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The grant was allocated to the consolidated profit or loss to match the relevant costs incurred. The Group does not have other unfulfilled obligations relating to this program.

6. LOSS BEFORE INCOME TAX

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------|
| Loss before income tax is arrived at after charging/(crediting) the following: | | |
| Cost of sales on properties held for trading | 8,022 | – |
| Write-down of properties held for trading | 282 | 888 |
| Auditor's remuneration | 640 | 594 |
| Depreciation of property, plant and equipment | | |
| – owned assets | 1,517 | 1,820 |
| – right-of-use assets included within leasehold properties | 2,794 | 2,794 |
| | <u>4,311</u> | <u>4,614</u> |
| Employee costs | 17,977 | 18,663 |
| Exchange loss, net | 505 | 9,655 |
| Fair value loss on investment properties | 11,407 | 110,502 |
| (Reversal of impairment)/Provision for impairment loss on intangible assets | (556) | 1,431 |
| Direct operating expenses arising from investment properties that | | |
| – generated rental income | 3,357 | 2,013 |
| – did not generate rental income | 416 | 465 |
| | <u>416</u> | <u>465</u> |

7. INCOME TAX CREDIT

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying group entities in Hong Kong is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5%. Profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rate regime continue to be taxed at a flat rate of 16.5%.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Income tax credit in the consolidated income statement is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------------------------------------|-------------------------|-------------------------|
| Current tax – Hong Kong | | |
| Over-provision in respect of prior years | – | (35) |
| Current tax – Overseas | | |
| Over-provision in respect of prior years | (52) | (954) |
| Deferred tax | (1,801) | – |
| Income tax credit | <u>(1,853)</u> | <u>(989)</u> |

8. DIVIDENDS

For the years ended 30 June 2023 and 2022, the directors do not recommend the payment of a final dividend.

9. LOSS PER SHARE

Calculation of basic and diluted loss per share is based on the following data:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------|--------------------------------|-------------------------|
| Loss for year attributable to owners of the Company | <u>(67,611)</u> | <u>(144,050)</u> |
| | Number of shares | |
| | 2023 <i>'000</i> | 2022 <i>'000</i> |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>566,812</u> | <u>560,813</u> |

The computation of diluted loss per share for the years ended 30 June 2023 and 2022 does not include the share options as the assumed exercise of these share options has an anti-dilutive effect.

10. OTHER FINANCIAL ASSETS

| | Measured at FVOCI | | Measured at FVTPL | | Measured at amortised cost | |
|------------------------------------|-------------------|---------------|-------------------|----------------|----------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current | | | | | | |
| Equity instruments (<i>Note</i>) | | | | | | |
| – Listed in Hong Kong * | 1,972 | 3,684 | – | – | – | – |
| – Listed outside Hong Kong * | 35,663 | 29,413 | – | – | – | – |
| | <u>37,635</u> | <u>33,097</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Financial instruments | | | | | | |
| – Unlisted in Hong Kong ^ | – | – | – | 38,540 | – | – |
| – Unlisted outside Hong Kong ^ | – | – | 42,968 | 86,296 | – | – |
| – Unlisted investment funds # | – | – | 307,603 | 277,535 | – | – |
| | <u>–</u> | <u>–</u> | <u>350,571</u> | <u>402,371</u> | <u>–</u> | <u>–</u> |
| Debt instruments | | | | | | |
| – Listed in Hong Kong * | 74,243 | 4,507 | – | – | – | – |
| | <u>74,243</u> | <u>4,507</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| | <u>111,878</u> | <u>37,604</u> | <u>350,571</u> | <u>402,371</u> | <u>–</u> | <u>–</u> |
| Current | | | | | | |
| Equity instruments | | | | | | |
| – Listed in Hong Kong * | – | – | – | 11 | – | – |
| – Listed outside Hong Kong * | – | – | 20 | 15 | – | – |
| | <u>–</u> | <u>–</u> | <u>20</u> | <u>26</u> | <u>–</u> | <u>–</u> |
| Debt instruments | | | | | | |
| – Listed in Hong Kong * | 7,985 | 5,194 | – | – | – | – |
| – Unlisted outside Hong Kong | – | – | – | – | – | 4,762 |
| | <u>7,985</u> | <u>5,194</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>4,762</u> |
| | <u>7,985</u> | <u>5,194</u> | <u>20</u> | <u>26</u> | <u>–</u> | <u>4,762</u> |

- * These financial assets are measured at fair values which have been determined directly by reference to published price and quotations in active markets (2022: same).
- ^ These financial assets are measured at fair values which have been determined by reference to the fair values of the underlying assets and liabilities of each instrument (2022: same).
- # Among these financial assets, amount of HK\$63,228,000 (2022: HK\$73,547,000) are measured at fair values which have been determined directly by reference to published price and quotations in markets that are not active and amount of HK\$244,375,000 (2022: HK\$203,988,000) are measured at fair values which have been determined by reference to the fair values of the underlying assets and liabilities of each instrument, respectively (2022: same).

Note:

These equity instruments were irrevocably designated at FVOCI as the directors of the Company consider these investments to be strategic in nature.

Movements in other financial assets are summarised as follows:

| | Equity instruments at FVOCI | | Equity instruments at FVTPL | | Financial instruments at FVTPL | | Debt instruments at FVOCI | | Debt instruments at FVTPL | | Debt instrument at amortised cost | |
|------------------------------------------------------------------------|--------------------------------|------------------|--------------------------------|------------------|-----------------------------------|------------------|------------------------------|------------------|------------------------------|------------------|--------------------------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Net carrying amount at beginning of the year | 33,097 | 46,535 | 26 | 2,282 | 402,371 | 366,430 | 9,701 | 37,048 | - | 24,478 | 4,762 | 5,373 |
| Additions | 7,056 | 36,873 | - | 1,885 | 60,640 | 97,583 | 85,223 | 3,364 | - | - | - | - |
| Disposals | (2,805) | (43,463) | - | (3,294) | (62,530) | (27,204) | (10,068) | (20,226) | - | (33,508) | (4,762) | - |
| Changes in fair value (debited)/credited to profit or loss | - | - | (6) | (843) | (52,225) | (26,240) | - | - | - | 9,475 | - | - |
| Changes in fair value credited/(debited) to other comprehensive income | 287 | (6,567) | - | - | - | - | (2,628) | (10,485) | - | - | - | - |
| Exchange difference | - | (281) | - | (4) | 2,315 | (8,198) | - | - | - | (445) | - | (611) |
| Net carrying amount at end of the year | <u>37,635</u> | <u>33,097</u> | <u>20</u> | <u>26</u> | <u>350,571</u> | <u>402,371</u> | <u>82,228</u> | <u>9,701</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,762</u> |

As at 30 June 2023 and 2022, debt instruments measured at FVOCI and debt instrument measured at amortised cost were determined to be impaired when debt instruments are expected to be irrecoverable. As at 30 June 2023 and 2022, no debt instrument measured at amortised cost was impaired.

11. TRADE RECEIVABLES

The Group generally allowed a credit period of 1 month (2022: 1 month) to its trade customers.

Based on the invoice dates, all trade receivables as at 30 June 2023 and 2022 were aged within 90 days.

All trade receivables are subject to credit risk exposure. Impairment on trade receivables is recognised based on the accounting policy for the years ended 30 June 2023 and 2022 respectively.

Based on the due dates, no trade receivables as at 30 June 2023 and 2022 were past due nor credit-impaired.

As at 30 June 2023, there was no amount denominated in a currency other than the functional currency of the entity to which they relate (2022: Nil).

Receivables that were neither past due nor credit-impaired were due from the customers for whom there was no recent history of default.

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in investment, trading and development of properties and securities investment and trading.

During the Year, the Group was engaged in one property development project in the United Kingdom (the “UK”). The Group also has ten investment properties, which are commercial, industrial properties and residential properties located in Hong Kong, the UK and Japan, and two trading properties, which are commercial properties in Hong Kong.

The Hong Kong economy continued to recover in Year 2023, though the momentum softened, with the real GDP grew by 1.5% year-on-year.

The external environment remained difficult in the last quarter of the Year. Central banks in the US and Europe continued to tighten monetary policies to tame inflation, posing further drag on demand. Meanwhile, the Mainland economy continued to recover though the momentum showed some moderation. The Government continued to strengthen Hong Kong’s economic links with the Mainland and overseas economies. A Memorandum of Understanding was signed with Guangdong and Macao authorities on jointly promoting the development of standards in the Guangdong-Hong Kong-Macao Greater Bay Area.

The local stock market was under pressure in the last quarter of the Year. Dampened by concerns over the recovery momentum of the Mainland economy and expectations of further rate hikes by the United State Federal Reserve (the “US Fed”).

Improved labour market conditions and the Government’s various initiatives, such as the disbursement of consumption vouchers provided support. Overall investment spending in terms of gross domestic fixed capital formation saw a mild decline as business sentiment generally eased amid tightened financial conditions and the uncertain global growth outlook. Business sentiment generally eased in the past few months after improving in earlier quarters.

The residential property market showed some consolidation in the last quarter of the Year, after the rebound in the third quarter. Market sentiment turned cautious amid an uncertain global economic outlook, rising local interest rates and expectations of further rate hikes by the US Fed. Trading activities quietened visibly while flat prices retreated slightly during the quarter. The total number of sale and purchase agreements for residential property received by the Land Registry declined by 18% from last year. Overall flat prices recorded a 1% decline during the last quarter and the overall flat rentals also increased by 3%. The average rental yield for residential property edged up to 2.5% in June. The index of home purchase affordability rose further to 75% in the last quarter along with the significant increase in mortgage rates. Reflecting the Government’s sustained efforts in raising land and flat supply, the total supply in the private sector in the coming three to four years would stay as a high level of 105,000 units as estimated at end-June 2023.

The non-residential property market largely held steady in the last quarter of the Year. While trading activities remained subdued, prices and rentals of different segments showed mixed performance. Prices of office space on average edged down by 1% during the last quarter, with the 4% increase in prices of Grade B office space more than offset by the respective 3% and 1% declines in prices of Grade A and Grade C office space. Overall office rentals were virtually unchanged in 2023. Within the total, rentals of Grade C office space edged up by 1%, while those of Grade A and Grade B office space both showed little changes. The average rental yields of Grade A, B and C office space were 2.6%, 2.6% and 3.1% respectively in June 2023. Transactions for office space is 12% lower than a year earlier and were considerably below the quarterly average in 2018 to 2022.

Overall prices and rentals of retail shop space both increased by 2% during the last quarter. The average rental yield remained unchanged at 2.7% in June, transaction declined by 39% lower than last year and visibly below the quarterly average in 2018 to 2022. Prices of flatted factory space also showed little change, while rentals increased slightly. Prices in June were 7% lower than the peak in 2019, while rentals were 2% higher than the peak in 2021. The average rental yield edged up to 3.1% in June. Transactions increased to 560 cases in the last quarter, with 10% lower than last year and were far below the quarterly average of 750 cases in 2018 to 2022.

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of approximately HK\$38,029,000, representing an increase of approximately 14.0% compared with that of approximately HK\$33,353,000 for the last financial year. The increase in turnover was mainly attributed to the increase in turnover from property development business for the Year.

Loss before income tax of the Group for the Year was approximately HK\$69,352,000, representing a decrease of approximately 51.7% comparing with that of approximately HK\$143,517,000 for the last financial year. The loss for the Year was mainly attributable to fair value loss on financial instruments.

BUSINESS OVERVIEW

Property Development Business

During the Year, the Group is engaged in one property development project, which is located in Birmingham, the UK.

It is a property development project at 50 School Road, Moseley, Birmingham, the UK (the "UK Property Project"). The project has a site area of 15,800 square feet and it can be developed into a residential building with gross floor area of approximately 12,000 square feet. The acquisition of the land was completed on 26 October 2018 and the development planning has been completed in the last financial year. Because of COVID-19, the development has been delayed and was completed in November of 2021. A local agent has been appointed for selling and leasing of the apartments.

The cost of living, the rising local interest and increase in fuel and energy prices have had a knock-on effect on the housing market in Birmingham and the selling of our development project too. Ten units have been leased to independent third parties as at 30 June 2023, while only three units have been sold to independent third parties during the Year.

The Group considers that the UK Property Project provides a good opportunity for the Group to diversify its overall property portfolio and gain more experience in property development in the UK. The Group will continue to explore potential property development opportunities both in Hong Kong and overseas, to enhance the benefit of the shareholders of the Company (the “Shareholder(s)”) while overcoming the challenges ahead.

Property Investment and Trading

As at 30 June 2023, the Group has eleven commercial, industrial and residential properties for investment and trading purposes, which are mainly in Hong Kong, one commercial property in Cardiff, the UK and two serviced apartments in Hokkaido, Japan, for investment purpose.

During the Year, the Group recorded a fair value loss on investment properties of approximately HK\$11,407,000 (2022: approximately HK\$110,502,000) and a write-down of properties held for trading of approximately HK\$282,000 (2022: approximately HK\$888,000). The fair value loss on investment properties is mainly due to the fair value loss on the commercial office properties at Kenning Industrial Building in Hong Kong and in Cardiff, the UK.

Whole floor of 9 Queen’s Road Central

The property is located at the 6th Floor of 9 Queen’s Road Central, Hong Kong. It is a commercial property with gross floor area of approximately 13,700 square feet. A portion of the property is currently used by the Group for its own office, while the remaining portion has been rented out to various independent third parties for rental income. The Group believes that the property can provide a stable income with the long-term appreciation in value.

As at 30 June 2023, a fair value gain for this investment property of approximately HK\$4,400,000 (2022: fair value loss of approximately HK\$67,100,000) has been recognised. The property is valued by market approach, where the comparison based on prices realised on the actual sales of comparable properties is made. The valuation methodologies of the property are the same as that of previous years.

Retail Shop Units at Grand Scholar, No. 419K Queen’s Road West

The property is located at Grand Scholar, No. 419K Queen’s Road West, Hong Kong. It consists of two shops, including shops on ground floor and on lower ground 1st floor. The property has a total gross floor area of approximately 10,300 square feet and has been leased to a church for a fixed term of three years. The Group believes that the property can provide a stable income for the Group.

Whole floor of Kenning Industrial Building at 19 Wang Hoi Road, Kowloon Bay

The property is located at 4th Floor of Kenning Industrial Building, No. 19 Wang Hoi Road, Kowloon Bay, Hong Kong in proximity to the Kowloon Bay MTR station. The property has a total gross floor area of approximately 16,500 square feet and all units of the property have been leased during the Year. The Group believes that the property can provide a stable income with long-term appreciation in value.

As at 30 June 2023, a fair value loss for this investment property of approximately HK\$7,700,000 (2022: fair value gain of approximately HK\$200,000) has been recognised. The property is also valued by market approach, where the comparison based on prices realised on the actual sales of comparable properties is made. The valuation methodologies of the property are the same as that of previous years.

Atlantic House in Cardiff, United Kingdom

The property is located in Cardiff, the UK with a total net floor area of approximately 41,000 square feet. The property consists of two office buildings. The east wing is currently leased to a local law firm for a term of fifteen years, which will be expired in 2026. The refurbishment of west wing was completed in January 2022 and it is designed for multi-let purpose. Due to the effect of COVID-19, the refurbishment has been delayed for about 6 months. A local agent has been appointed for leasing of the west wing and 30% of the floor area has been leased as at 30 June 2023.

During the Year, the Cardiff office market was driven by the smaller size bands in the market. Total vacancy rate for the market stood at approximately 14%. There are challenges with the location for some occupiers and the post covid environment and the requirements for typically smaller, better quality space have accentuating this with the strong preference being very central and close to transport links. The new refurbishment of Atlantic House can be a good offering and it stands behind this specification.

A fair value loss for this investment property of approximately HK\$6,230,000 (2022: approximately HK\$38,464,000) has been recognised as at 30 June 2023. This property is also valued by market approach, where a comparison based on prices realised on the actual sales of en-bloc office comparable in Cardiff is made, with due adjustments on micro factors, such as size, building age, location and transacted dates, and with reference to Financial Time Stock Exchange UK Office index. The valuation methodologies of the property are the same as that of previous years.

Cardiff is the principal office market within Wales and one of the major regional centres in the UK. The Group believes that it was a good opportunity for holding the property for long-term investment purpose and diversification of the property portfolio.

Office units and carpark space of Universal Trade Centre at 3 Arbuthnot Road

The 3 office units are located on 30th floor of Universal Trade Centre, No. 3 Arbuthnot Road, Central, Hong Kong. They have a total gross floor area of approximately 4,100 square feet. These three office units are now looking for new tenant.

Office unit of Arion Commercial Centre at 2–12 Queen’s Road West

The property is located at Arion Commercial Centre at 2–12 Queen’s Road West, Hong Kong and has a gross floor area of approximately 1,650 square feet. This office unit has been leased to a translation company, which is wholly owned by Mr. Pong Wilson Wai San (“Mr. Pong”), with monthly rent of HK\$40,000. The rent was determined after arm’s length negotiation with reference to the monthly rental of other similar premises in the Hong Kong market and the professional valuation report.

Whole office floor of Far East Consortium Building at 121 Des Voeux Road Central

The property is a whole floor office unit located on 15th Floor of Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, which is an office building in Central district, with a gross floor area of approximately 7,300 square feet. This property has been leased to a financial printing company which is wholly owned by Mr. Pong with monthly rent of HK\$233,000. The rent was determined after arm’s length negotiation with reference to the monthly rental of other similar premises in the Hong Kong market and the professional valuation report. Further details of these transactions can be referred to our announcements on 31 August 2022 and 15 June 2023.

Roof of Block C of Sea View Estate, North Point

This property is located at the front portion of the roof of Sea View Estate in North Point, which is facing the South of Victoria Harbour in Hong Kong Island. The Group believes that it can be converted into an eye-catching rooftop advertising signage of approximately 300 square meters. The Group has engaged an advertising agent in looking for the signage.

Shops and signages at Lime Stardom, Tai Kok Tsui

Two retail shops and two signages were acquired by the Group for trading purpose. The shops are located on the ground floor at Lime Stardom, Tai Kok Tsui with outstanding feature, such as curtain wall design and high ceiling. Hotels and shopping malls are within the proximity, together with the upcoming redevelopment and residential projects in the neighborhood. Tai Kok Tsui will definitely become one of the new focuses of the city with high growth potential. In view of this, those properties are acquired for short-term trading purpose. The shops have been leased to independent third parties with acceptable yield.

Serviced Apartments in Hokkaido, Japan

Two serviced apartments in Niseko, Hokkaido, Japan, were acquired by the Group. One of the apartments is in Skye Niseko at Upper Hirafu village, while the other is in Hanazono. Both of them are brand new serviced apartments with ski-in ski-out access to ski resorts and full range of hotel services. They are managed by premier asset managers with expertise and experience in effectively managing hospitality and tourism in Niseko. Both apartments are benefited by increasing inbound tourism in Japan in the long run and garnering Japan and international interest for Niseko's ski resort. The Group believes that it is a good opportunity for investing in Japan real estate for long-term investment and diversification of the property portfolio.

The Group is optimistic about the prospect of the commercial, industrial and residential property market in Hong Kong, the UK and Japan in the long run. It considers that the properties represent a good investment opportunity and the Group will benefit from the long-term appreciation of the property prices.

During the Year, the segment of property investment and trading business recorded a total rental income of approximately HK\$23,679,000 (2022: approximately HK\$23,829,000), including revenue of approximately HK\$21,727,000 (2022: approximately HK\$21,844,000) and rental income in other income of approximately HK\$1,952,000 (2022: approximately HK\$1,985,000). This segment is expected to provide a significant and steady income source to the Group.

Securities Investment and Trading

The Group maintains a portfolio of stocks and other investments products which generate steady income with potential of capital appreciation. The Group has taken into account of the following criteria when determining whether to take up an investment and trading opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

During the Year, the Group recorded a net loss in fair value of the investments portfolio in this segment of approximately HK\$55,428,000 (2022: approximately HK\$46,542,000).

The Group reported a segment loss of approximately HK\$60,729,000 (2022: approximately HK\$32,264,000) during the Year. The Group received investment income from investment portfolio for this segment of approximately HK\$4,230,000 (2022: approximately HK\$10,771,000) during the Year. As at 30 June 2023, the carrying amount of the investments in this segment amounted to approximately HK\$471,798,000 (2022: approximately HK\$403,856,000). This value represents an investment portfolio comprising equity instruments, debt instruments, financial instruments and cryptocurrencies.

Under this segment, the business' significant investments held for investment and for trading as at 30 June 2023 were as below:

| | Cost as at 30 June 2023 HK\$'000 | Carrying amount as at 30 June 2023 HK\$'000 | Gain/(loss) in fair value during the Year HK\$'000 | Gain/(loss) on disposal during the Year HK\$'000 | Dividends/ interests received during the Year HK\$'000 |
|-----------------------|-----------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <i>NON-CURRENT</i> | | | | | |
| Financial instruments | 457,195 | 350,571 | (53,637) | – | 771 |
| Equity instruments | 47,020 | 37,635 | 287 | – | 449 |
| Debt instruments | 75,469 | 74,243 | (1,379) | (153) | 2,525 |
| Intangible assets | 2,332 | 1,344 | 556 | – | – |
| <i>CURRENT</i> | | | | | |
| Equity instruments | 34 | 20 | (6) | – | – |
| Debt instruments | 18,997 | 7,985 | (1,249) | 203 | 484 |

Loan Financing

During the Year, the Group recorded an interest income from the loan financing business amounting to approximately HK\$3,526,000 (2022: approximately HK\$738,000), representing approximately 9.3% (2022: approximately 2.2%) of the total revenue of the Group. Profit derived from loan financing business was approximately HK\$1,265,000 for the Year (2022: approximately HK\$702,000). Both revenue and profit derived from loan financing business was increased for the Year since the loan receivables were increased during the Year.

The carrying amount of loan receivable for loan financing business as at 30 June 2023 was approximately HK\$33,507,000 (2022: approximately HK\$6,565,000) which is mainly secured by share mortgage and a deed of assignment of the borrower's commitment under a mezzanine loan agreement with fair value of approximately HK\$27,213,000. For details of the transactions, please refer to the Company's announcements dated 3 May 2022 and 23 December 2022. The Group is not permitted to sell or repledge the collaterals, if any, in the absence of default by the borrowers. The largest borrower of the Group itself accounted for approximately 58% (2022: 84%) of the Group's loan receivable at 30 June 2023.

During the Year, the range of interest rate on the Group's fixed rate loan receivable was 3.33% to 20% (2022: range of 3.33% to 20%) per annum. All loan receivables during the Year are fixed rate loans.

The Group generally provided short-term to medium-term loan. For the new loans during the Year, they were with a term within 1.5 years (with an extension option for not longer than 2.25 years) and 3 years. The repayment terms and conditions are full repayment on final repayment date.

The target customer groups of the business are individuals and corporate entities that have short-term to medium-term funding needs and could provide sufficient collaterals for their borrowings. The Group's clientele is primarily acquired through business referrals and introductions from the Company's directors, senior management, business partners or clients.

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including due diligence, credit appraisal, proper execution of documentations, continuous monitoring and collection and recovery. The due diligence procedures include conducting research on borrowers' background, evaluating its current business operations and financial conditions, market reputation and creditability, and conducting financial analysis and recoverability analysis. To minimise credit or investments risks, the Group will typically require guarantees, including collaterals with expected typically require guarantees, including collaterals with expected realised value exceeding the loan or investment amount, post-dated cheques, and/or personal guarantees and corporate guarantees.

After drawdown of loan, the loan agreement will be filed with the loan documents properly. The Group maintains regular contact with the borrowers and carries out periodical review to assess the recovery of the loan based on the business development, financial status, repayment ability including such as recent settlement record and any litigations and bankruptcy orders against borrowers. The Group will take all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans.

The Group performs impairment assessment under expected credit loss ("ECL") model on loans receivable which are subject to impairment assessment under HKFRS 9 issued by Hong Kong Institute of Certified Public Accountants. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In particular, the following information is being considered when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the loans receivable's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environments of the borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

As at 30 June 2023, the loss allowance recognised in profit or loss amounted to HK\$2,248,000 (2022: Nil) in its loan financing business.

PROSPECTS

Looking forward, the global economy continues to recover and adapt the post-pandemic era. The external environmental remained difficult for the Year. The soaring inflation and on-going geopolitical tension are still the biggest threats to the world economy for now. While the impact of soaring inflation has yet to be finished, global economic activities are expected to remain subdued in the short to medium term as containment measures are likely to continue for a while. This, together with intensified Sino-US tensions, continued tension in Ukraine, increased trade protectionism and continued geopolitical risks, will pose further challenges and uncertainties to economic recovery.

Despite the uncertainties in Hong Kong and global economy, we expect the local economy to gradually stabilise once the epidemic ends and Hong Kong will remain relevant and vital in its own right and as part of China, given the mature and healthy nature of Hong Kong's investment environment combined with the potential opportunities for Hong Kong to capitalise on its competitive advantages in the Greater Bay Area. The Group maintains a cautiously optimistic view on the property market and we are confident that we will be able to tackle the diverse challenges ahead.

The Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties and development projects for recurring income and capital appreciation, at the same time expanding its securities investment and trading business and loan financing business for the growth of its stable recurring income. These strategies are intended to enable the Group to maintain its competitiveness thereby ensuring the Group's sustainability and securing the Shareholders' benefits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had net current assets of approximately HK\$151,382,000 (2022: approximately HK\$238,398,000) including cash and bank balances of approximately HK\$139,260,000 (2022: approximately HK\$212,564,000).

The gearing ratio was approximately 10% as at 30 June 2023 (2022: approximately 11%). The gearing ratio is derived by dividing the total of borrowings by total assets. The gearing ratio remains stable for the Year when compared to 30 June 2022.

During the Year, the Group financed its operations with its own working capital and bank borrowings. As at 30 June 2023, the secured bank borrowing of the Group was approximately HK\$184,250,000 (2022: approximately HK\$220,632,000), in which approximately HK\$147,538,000 (2022: approximately HK\$183,681,000) are repayable within a period of not exceeding 5 years and approximately HK\$36,712,000 is repayable beyond 5 years (2022: approximately HK\$36,951,000), and there was no other borrowing as at 30 June 2023 (2022: Nil). The figures ignore the effect of repayment on demand clause and are based on the schedule repayment dates in bank loan agreement.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the period from 21 July 2022 to 18 November 2022, August Ally Limited (“August Ally”) (which is a wholly-owned subsidiary of the Company) has acquired from the open market the bonds in an aggregate principal of US\$1,500,000 (equivalent to approximately HK\$11,700,000) issued by HSBC Holdings plc at an aggregate consideration of approximately US\$1,512,000 (equivalent to approximately HK\$11,793,000).

On 18 November 2022, August Ally has acquired from the open market the bonds in an aggregate principal of US\$1,000,000 (equivalent to approximately HK\$7,800,000) issued by Standard Chartered PLC at an aggregate consideration of approximately US\$1,036,000 (equivalent to approximately HK\$8,081,000).

For details of the transactions, please refer to the Company’s announcements dated 21 November 2022.

On 8 February 2023, August Ally has acquired from the open market the bonds in an aggregate principal of HK\$20,000,000 issued by Henderson Land MTN Limited at an aggregate consideration of approximately HK\$19,957,000.

For details of the transaction, please refer to the Company’s announcement dated 9 February 2023.

On 13 February 2023, August Ally has acquired from the open market the bonds in an aggregate principal of US\$1,000,000 (equivalent to approximately HK\$7,800,000) issued by Lai Sun MTN Limited at an aggregate consideration of approximately US\$884,000 (equivalent to approximately HK\$6,895,000).

For details of the transaction, please refer to the Company’s announcement dated 13 February 2023.

On 28 April 2023, August Ally subscribed for wealth management product offered by Manulife (International) Limited, namely, the Manulife Wealth Management Product, in an aggregate subscription amount of USD1,840,000 (equivalent to approximately HK\$14,352,000).

For details of the transaction, please refer to the Company’s announcement dated 28 April 2023.

During the Year, those securities investments held by the Group are as follows:

| | Cost as at 30 June 2023 HK\$'000 | Carrying amount as at 30 June 2023 HK\$'000 | Outstanding commitment as at 30 June 2023 HK\$'000 | Total of carrying amount and commitment as at 30 June 2023 HK\$'000 | Gain/(loss) in fair value during the Year HK\$'000 | Gain/(loss) on disposal during the Year HK\$'000 | Exchange difference during the Year HK\$'000 | Dividends/ interests received during the Year HK\$'000 |
|---------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|
| <i>NON-CURRENT</i> | | | | | | | | |
| Equity instruments at fair value through other comprehensive income | | | | | | | | |
| Listed in Hong Kong | 5,646 | 1,972 | – | 1,972 | (1,712) | – | – | 34 |
| Listed outside Hong Kong | 41,374 | 35,663 | – | 35,663 | 1,999 | – | – | 415 |
| | <u>47,020</u> | <u>37,635</u> | <u>–</u> | <u>37,635</u> | <u>287</u> | <u>–</u> | <u>–</u> | <u>449</u> |
| Financial instruments at fair value through profit or loss | | | | | | | | |
| Unlisted in Hong Kong | – | – | – | – | 1,412 | – | – | – |
| Unlisted outside Hong Kong | 110,815 | 42,968 | – | 42,968 | (44,703) | – | 1,374 | – |
| Unlisted Investment Funds | 346,380 | 307,603 | 46,511 | 354,114 | (8,934) | – | 941 | 771 |
| | <u>457,195</u> | <u>350,571</u> | <u>46,511</u> | <u>397,082</u> | <u>(52,225)</u> | <u>–</u> | <u>2,315</u> | <u>771</u> |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| Listed in Hong Kong | 75,469 | 74,243 | – | 74,243 | (1,379) | (153) | – | 2,525 |
| | <u>579,684</u> | <u>462,449</u> | <u>46,511</u> | <u>508,960</u> | <u>(53,317)</u> | <u>(153)</u> | <u>2,315</u> | <u>3,745</u> |

| | Cost as at 30 June 2023 HK\$'000 | Carrying amount as at 30 June 2023 HK\$'000 | Outstanding commitment as at 30 June 2023 HK\$'000 | Total of carrying amount and commitment as at 30 June 2023 HK\$'000 | Gain/(loss) in fair value during the Year HK\$'000 | Gain/(loss) on disposal during the Year HK\$'000 | Exchange difference during the Year HK\$'000 | Dividends/ interests received during the Year HK\$'000 |
|-------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|
| <i>CURRENT</i> | | | | | | | | |
| Equity instruments at fair value through profit or loss | | | | | | | | |
| Listed in Hong Kong | 17 | - | - | - | (11) | - | - | - |
| Listed outside Hong Kong | 17 | 20 | - | 20 | 5 | - | - | - |
| | <u>34</u> | <u>20</u> | <u>-</u> | <u>20</u> | <u>(6)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| Listed in Hong Kong | 18,997 | 7,985 | - | 7,985 | (1,249) | 203 | - | 484 |
| Debt instruments at amortised costs | | | | | | | | |
| Unlisted outside Hong Kong | - | - | - | - | - | - | - | 307 |
| | <u>19,031</u> | <u>8,005</u> | <u>-</u> | <u>8,005</u> | <u>(1,255)</u> | <u>203</u> | <u>-</u> | <u>791</u> |
| | <u>598,715</u> | <u>470,454</u> | <u>46,511</u> | <u>516,965</u> | <u>(54,572)</u> | <u>50</u> | <u>2,315</u> | <u>4,536</u> |

The total size of carrying amount and outstanding commitment for each of those investments as at 30 June 2023 represents approximately 0.0004% to 2.31% of the total assets of the Group as at 30 June 2023. The Group maintains a portfolio of equities, bonds and other investments products which generate steady income with potential of capital appreciation. The Group has taken into account of the following criteria when determining whether to take up an investment and trading opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

Save for those disclosed above and in this announcement, there were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the Year and there is no plan for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 30 June 2023, the leasehold properties and certain investment properties with carrying amount of approximately HK\$126,062,000 (2022: approximately HK\$128,856,000) and approximately HK\$415,173,000 (2022: approximately HK\$414,496,000) and bank deposits of approximately HK\$108,205,000 (2022: approximately HK\$164,480,000) were pledged to secure bank borrowings for the Group.

As at 30 June 2022, the financial instruments at FVTPL with carrying amount of approximately HK\$33,044,000 were pledged to secure bank borrowings for the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, the Company has no contingent liabilities (2022: Nil).

LEASE AND CONTRACTED COMMITMENTS

As lessor

As at 30 June 2023, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

| | 2023 | 2022 |
|---------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 20,126 | 18,994 |
| In the second year | 10,492 | 10,075 |
| In the third year | 4,575 | 4,084 |
| In the fourth years | 699 | 3,125 |
| In the fifth years | 921 | 279 |
| Beyond five years | 4,217 | 2,848 |
| | 41,030 | 39,405 |

The Group leases its properties under operating lease arrangements which run for an initial period of one to fifteen years (2022: one to fifteen years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. None of the leases includes contingent rentals.

CAPITAL COMMITMENTS

| | 2023 | 2022 |
|----------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Contracted but not provided for: | | |
| Financial instruments at FVTPL | 46,511 | 57,007 |
| Properties held for trading | – | 21,250 |
| | 46,511 | 78,257 |

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the Year were denominated in United States dollars (the "US\$"), British Pound (the "GBP"), Euro (the "EUR"), Japanese Yen (the "JPY") and Hong Kong Dollars ("HK\$"), and most of the assets and liabilities as at 30 June 2023 were denominated in US\$, GBP, EUR, JPY, Renminbi (the "RMB"), Australian dollars (the "AUD") and HK\$. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US\$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US\$ to HK\$ is pegged. However, the Group is exposed to GBP, EUR, JPY, RMB and AUD foreign exchange exposure and fluctuation of exchange rates of GBP, EUR, JPY, RMB and AUD against HK\$ could affect the Group's results of operations. During the Year, foreign currency banking facilities for GBP, EUR, JPY and AUD were arranged for acquisition of properties and investments in these currencies to hedge for foreign exchange exposure.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SEGMENT INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Group are set out in Note 3 to this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 16 (2022: 17) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$17,977,000 for the Year as compared to approximately HK\$18,663,000 in last year. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

EVENTS AFTER THE YEAR

Clear Access as landlord had entered into a tenancy agreement of office unit 8, 9th Floor, Arion Commercial Centre, Nos. 2-12 Queen's Road West, Hong Kong with iOne Translation Company Limited as tenant for a term of two years commencing from 1 July 2023 with the monthly rent and the annual cap of HK\$42,000 and HK\$504,000 respectively.

Further details of the transaction can be referred to our announcement dated 15 June 2023.

On 14 July 2023, the Company granted share options to the grantees to subscribe for up to a total of 1,060,000 shares of the Company (the "Shares"), subject to acceptance of the grantees, under the share option scheme adopted by the Company on 21 November 2021.

Further details can be referred to our announcement dated 14 July 2023.

On 22 September 2023, August Ally received the redemption confirmation and redeemed its investments in a redeemable unlisted securities in the Apeiron Global Opportunities Fund for an aggregate redemption value of US\$1,671,000 (equivalent to approximately HK\$13,034,000) in cash and estimated to realize an aggregate gain of HK\$2,572,000 in relation to the redemption, as compared to the fair value of the Apeiron Global Opportunities Fund as at 31 December 2022 (or an aggregate gain of HK\$2,250,000 in relation to the redemption, as compared to the fair value of the Apeiron Global Opportunities Fund as at 30 June 2023).

Further details of the transaction can be referred to our announcement dated 22 September 2023.

Save as disclosed above, the Group does not have any material subsequent event after the Year and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 November 2023 to Thursday, 30 November 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to attend the forthcoming annual general meeting of the Company, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 November 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code to the Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with all CG Code during the Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the Year.

REMUNERATION COMMITTEE

According to the Listing Rules, the Company has to set up a remuneration committee comprising a majority of independent non-executive Directors. The remuneration committee of the Company (the "Remuneration Committee") was established on 23 March 2007 with the latest written terms of reference adopted on 25 November 2022. As at the date of this announcement, the Remuneration Committee consists of four members, of which Mr. Pong is executive Director and the other three members are independent non-executive Directors, namely Mr. Koo Fook Sun Louis ("Mr. Koo"), Mr. Lung Hung Cheuk ("Mr. Lung") and Ms. Yeung Wing Yan Wendy ("Ms. Yeung"), which schedules to meet at least once a year. The chairman of the Remuneration Committee is Mr. Lung and the quorum necessary for the transaction of business is two.

The latest terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive Directors.

The Remuneration Committee held 2 meetings during the Year to review the remuneration packages of all the Directors and senior management of the Company.

NOMINATION COMMITTEE

According to the Listing Rules, the Company has to set up a nomination committee comprising a majority of independent non-executive Directors. The nomination committee of the Company (the “Nomination Committee”) was established on 12 November 2007 with the latest written terms of reference adopted on 30 March 2012. As at the date of this announcement, the Nomination Committee consists of four members, of which Mr. Pong is executive Director and the other three members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairwoman of the Nomination Committee is Ms. Yeung and the quorum necessary for the transaction of business is two.

The latest terms of reference of the Nomination Committee are posted on the websites of both the Stock Exchange and the Company.

The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors, making recommendations to the Board for ensuring that all nominations are fair and transparent, reviewing and monitoring the implementation of the policy of diversity of the Board (the “Board Diversity Policy”).

The Nomination Committee formulated the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board’s composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders’ expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group’s core markets, with different ethnic backgrounds, and reflecting the Group’s strategy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive Directors;
- (B) at least three of the members of the Board shall be independent non-executive Directors; and
- (C) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives under Board Diversity Policy for the Year.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Board was satisfied with the implementation and effectiveness of the Board Diversity Policy for the Year.

The Nomination Committee held 2 meetings during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board relating to the renewal services of non-executive Director and independent non-executive Directors and to review the Board Diversity Policy.

AUDIT COMMITTEE

According to the Listing Rules, the Company has to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee of the Company (the "Audit Committee") was established on 2 May 2002 with the latest written terms of reference effective on 1 January 2019. During the Year, the Audit Committee was chaired by Mr. Koo and as at the date of this announcement, all Audit Committee members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung.

The latest terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are to review and supervise the financial control, risk management and internal control systems of the Group and provide advice and comment on the Company's draft annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports to Directors.

The Audit Committee held 4 meetings during the Year and performed the following works:

1. Financial Reporting

- reviewed the audited consolidated financial statements for the year ended 30 June 2022 in conjunction with the external auditor and the unaudited financial statements for 3 months ended 30 September 2022, 6 months ended 31 December 2022 and 9 months ended 31 March 2023;
- reviewed the accounting principles and practices adopted by the Group;
- reviewed the auditing and financial reporting matters, including the key audit matters of the consolidated financial statements for the year ended 30 June 2022 which are set out in the annual report of the Company for the year ended 30 June 2022;
- reviewed the audit planning for the Year in conjunction with the external auditor;

2. External Auditor

- reviewed and approved the remuneration of external auditors of the Company for the Year;
- reviewed the re-appointment of external auditor of the Company and was satisfied with its work, its independence, and its objectivity, and therefore recommended the re-appointment of BDO Limited (which had indicated its willingness to continue in office) as the Group's external auditor for Shareholders' approval in the 2022 annual general meeting;

3. Internal Audit

- reviewed the necessity for setting up internal audit function;

4. Risk Management and Internal Controls

- reviewed the risk management policy and internal control report; and
- reviewed the effectiveness of risk management and internal control systems.

During the Year, the Audit Committee met the Company's auditor two times.

The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the audited consolidated financial statements for the Year.

SUSTAINABILITY COMMITTEE

The sustainability committee of the Company (the “Sustainability Committee”) was established on 9 June 2023. As at the date of this announcement, the Sustainability Committee consists of six members, of which Mr. Pong and Mr. Lee Wing Yin (“Mr. Lee”) are executive Directors, Mr. Lai Hin Wing Henry is non-executive Director and the other three members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairman of the Sustainability Committee is Mr. Lee and the quorum necessary for the transaction of business is two.

The latest terms of reference of the Sustainability Committee are posted on the websites of the Stock Exchange and the Company.

The roles and functions of the Sustainability Committee include to (i) review, endorse and report to the Board the Group’s corporate responsibility and sustainability plans, strategies, priorities, policies, practices and frameworks; (ii) oversee, review and evaluate the adequacy and effectiveness of resources, processes, and actions taken by the Group based on its corporate responsibility and sustainability plans, strategies, priorities, policies and frameworks, and recommend improvements; and the Group’s performance against the appropriate international or national standard (if any) on sustainability; (iii) recommend strategies for improvements in the sustainability performance of the Group; (iv) assess and manage material corporate responsibility and sustainability issues and related risks; (v) integrate the corporate responsibility and sustainability related risks into the Group’s existing risk management and internal control framework and report to the Board on related risks and issues; (vi) oversee the execution of the Group’s initiatives on corporate responsibility and sustainability development; (vii) monitor and review existing and/or emerging issues, trends and investments related to corporate responsibility and sustainability of the Group; (viii) consider the impact of the Group’s corporate responsibility and sustainability on its stakeholders, including employees, shareholders, local communities and the environment; (ix) review and oversee the implementation of the Group’s corporate responsibility and sustainability policies and practices to ensure they remain relevant and compliant with legal and regulatory requirements (including, but not limited to, the relevant Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the Listing Rules); and (x) review and provide recommendations to the Board for approval of the annual corporate responsibility/sustainability report and relevant disclosures in the Company’s annual report.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated financial statements and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, as to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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

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

APPRECIATION

I would like to take this opportunity to express my appreciation to the Shareholders for their support, to the management and staff for their dedicated efforts to the Group and to our clients, consultants and partners for all their valuable assistance offered during this past year.

By order of the Board
Winfull Group Holdings Limited
PONG WILSON WAI SAN
Chairman

Hong Kong, 26 September 2023

As at the date of this announcement, the executive Directors are Mr. Pong Wilson Wai San and Mr. Lee Wing Yin, the non-executive Director is Mr. Lai Hin Wing Henry and the independent non-executive Directors are Mr. Koo Fook Sun Louis, Ms. Yeung Wing Yan Wendy and Mr. Lung Hung Cheuk.