

GANGYU SMART URBAN SERVICES HOLDING LIMITED
港譽智慧城市服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)



2024
ANNUAL REPORT

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CORPORATE INFORMATION

HONORARY CHAIRMAN

Mr. Shi Baodong

BOARD OF DIRECTORS

Executive Directors

Mr. Mo Yueming (*Chairman and Chief Executive Officer*)

Ms. Hao Ying

Mr. Xue Fei

Independent Non-executive Directors

Mr. He Qi

Mr. Sui Feng-jih

Mr. Lin Hua Rong, Harry

AUDIT COMMITTEE

Mr. Sui Feng-jih (*Chairman*)

Mr. He Qi

Mr. Lin Hua Rong, Harry

REMUNERATION COMMITTEE

Mr. Lin Hua Rong, Harry (*Chairman*)

Mr. Mo Yueming

Mr. Sui Feng-jih

NOMINATION COMMITTEE

Mr. Mo Yueming (*Chairman*)

Mr. He Qi

Mr. Sui Feng-jih

COMPANY SECRETARY

Ms. Lee On Wing

INDEPENDENT AUDITORS

Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited)

Certified Public Accountants

42/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Merchants Bank Co., Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B03, 29/F
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18 Harcourt Road
Admiralty
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

265

COMPANY'S WEBSITE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Director(s)”) of Gangyu Smart Urban Services Holding Limited (the “Company”, together with its subsidiaries the “Group”), I am pleased to present the annual report (the “Annual Report”) of the Company for the year ended 31 December 2024 (the “Year”).

By adhering to the corporate core values of “People-Oriented And Sincere Services (「以人為本，服務至誠」)”, and the service philosophy of “Wholeheartedly and Wholeheartedly For You (「全心全意，全為您」)”, the Group is committed to prioritizing customer satisfaction and trust. By improving service quality and enhancing property management service and environmental hygiene service more efficiently, the Group aims to create excellent value for the shareholders (the “Shareholders”) and customers of the Company, as well as other stakeholders while upholding unwavering standards of legality and ethics.

The Group significantly emphasises the “Maintaining Steady Economic Growth” (「持盈保泰」) strategy. The Group maintained sustained profitability by adopting a prudent investment and development strategy.

INDUSTRY OVERVIEW, BUSINESS STRATEGY AND BUSINESS REVIEW

There were four reportable operating segments of the Group, namely (i) the property management businesses; (ii) the environmental hygiene businesses; (iii) the integrated development businesses; and (iv) the diversified tourism products and services businesses.

After years of development, all reportable operating segments, except for the integrated development businesses and the diversified tourism products and services businesses, have become maturity. The Group has planned a steady expansion strategy, considering acquisitions or organic growth opportunities. However, this strategy has been hindered by challenges arising from the adverse change in the business environment, keen competition, and the recent economic slowdown in the People's Republic of China (the “PRC”).

The Group recorded revenue of approximately HK\$345.9 million (2023: approximately HK\$342.4 million) for the Year, representing an increase of approximately 1.0% compared to the year ended 31 December 2023 (“Year 2023”).

The Group recorded a profit for the Year, amounting to approximately HK\$48.9 million (2023: approximately HK\$38.0 million), representing an increase of approximately 28.7% compared to Year 2023.

Set out below is the performance review of each of the Group's principal businesses during the Year.

Property Management Businesses

In recent years, the policies of the property management industry in the PRC mainly focused on establishing and improving a standardized management system, so as to promote the high-quality development of the property services industry. In order to enhance people's demand for a better living environment and accelerate the development of the property service industry, it is necessary to promote the upgrading of property services towards higher quality and diversification, which is aligned with the overall direction of the “14th Five-Year Plan”.

The National Development and Reform Commission of the PRC issued the “Catalogue for the Guidance of Industrial Structure Adjustment (2024 Edition)”* with effective as of 1 February 2024, which stated that property management services are included in the encouraged business of service industry, marking the improvement of the industry's positioning. The connotation of “good house and good service” is gradually clear, the standard of “good house” is safety, comfort, green and wisdom, and “good service” corresponds to high-quality property service and life service.

CHAIRMAN'S STATEMENT

Hebei Gangyu Smart Property Management Services Company Limited* (河北港譽智慧物業服務有限公司, “Gangyu PMS”) and its subsidiaries (“Gangyu PMS Group”) are the Group’s flagship companies on the property management operations, which possesses certifications of the ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management Systems). Benefit from the comprehensive strength and service quality, Gangyu PMS won various awards during the Year, including but not limited to the following:

Award Name	Awarding Institution
2024 China’s Property Business Services Hundred Enterprises (二零二四中國物業企業服務力百強企業)	Cric (Shanghai) Information Technology Co., Limited (上海克而瑞資訊技術有限公司) and Beijing Zhongwu Research Association Information Technology Co., Ltd (北京中物研協資訊科技有限公司)
2024 Service Residential Benchmark Project* (二零二四年度服務力住宅標桿項目)	Cric (Shanghai) Information Technology Co., Limited (上海克而瑞資訊技術有限公司) and Beijing Zhongwu Research Association Information Technology Co., Ltd (北京中物研協資訊科技有限公司)
2024 Service Public Construction Benchmark Project* (二零二四年度服務力公建標桿項目)	Cric (Shanghai) Information Technology Co., Limited (上海克而瑞資訊技術有限公司) and Beijing Zhongwu Research Association Information Technology Co., Ltd (北京中物研協資訊科技有限公司)
2024 Excellent Projects of China Property Management* (二零二四中國物業管理卓越標桿項目)	Cric (Shanghai) Information Technology Co., Limited (上海克而瑞資訊技術有限公司) and Beijing Zhongwu Research Association Information Technology Co., Ltd (北京中物研協資訊科技有限公司)
2024 Environmental Hygiene Work Outstanding Team in Zhangjiakou City* (張家口市二零二四年度環境衛生工作優秀班組)	Zhangjiakou City Urban Administrative and Law Enforcement Bureau* (張家口市城市管理綜合行政執法局)
2024 Leading Companies in Property Management Industry in Hebei Province* (二零二四年度河北省物業管理行業先進單位)	Hebei Property Management Institute* (河北省物業管理行業協會)
2024 Famous Provincial Capital Brand on Property Management in Shijiazhuang City* (二零二四年度石家莊市物業管理省會知名品牌)	Shijiazhuang City Property Management Association* (石家莊市物業管理協會)

During the Year, apart from improving the service quality of its existing projects, Gangyu PMS Group put effort into operating scale expansion and diversity in its property management portfolio. As at 31 December 2024, Gangyu PMS Group had a total contracted gross floor area of approximately 8.5 million square meters (2023: approximately 11.8 million square meters) under their management. The total gross floor area mainly involves residential properties, commercial properties, office buildings, sales offices, colleges, hospitals, government buildings and related areas of other public facilities. One of the projects that expired during the Year was a big resort area in Shijiazhuang City, Hebei Province, the PRC, which covered approximately 3.6 million square meters, resulted in a decrease in total gross floor area of the property management projects. On the other hand, a full-year income generated from certain secured projects in 2023 and an increase in number of secured projects during the Year, which led to an increase in the Group’s property management income during the Year, indicating that the Group had successfully expanded its property management portfolio and generated additional revenue. By diversifying its portfolio, the Group maintained a more stable and sustainable income stream.

CHAIRMAN'S STATEMENT

To further expand the Group's scale of leasing-related services, the subsidiary of the Company, namely Gangyu PMS entered into the agreements ("Agreements") with Hebei Qifuqian Yue Real Estate Development Co., Ltd.* (河北祈福乾悅房地產開發有限公司, "Qifuqian Yue"), which is owned as to 51% by Orient Victory Property Development Group Limited* (東勝房地產開發集團有限公司, "OVPD") (which in turn is 95% owned by Mr. Shi Baodong ("Mr. Shi"), the controlling shareholder of the Company, a former executive director and a former chief executive officer of the Company) to acquire 47 commercial units of Zijingyuehe Centre with an estimated aggregate gross floor area of approximately 2,563 square meters located at 17th Floor and 18th Floor, building no.1 Zijingyuehe Centre (South zone), 2 Fengya Road, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區豐雅路2號紫晶悅和中心南區, the "Properties"). The delivery of the Properties was expected to be completed on or before 31 December 2023 ("Scheduled Completion Date"), and the Group planned to operate the Properties under operating lease arrangements. Due to the impact of the COVID-19 pandemic and the environmental protection policy in the PRC, the Scheduled Completion Date was affected and postponed to a date on or before 31 December 2024. However, given that Qifuqian Yue had been unable to deliver the Properties to the Group on or before the new delivery date due to the uncertainty about the completion date of the development of which the Properties form part resulting from the environmental protection policy in the PRC, Qifuqian Yue and Gangyu PMS entered into the deed of termination, pursuant to which the parties have mutually agreed to terminate the Agreements with immediate effect, and Qifuqian Yue shall, within 15 business days after the effective date of the termination, fully return the consideration paid, approximately RMB22.9 million (equivalent to approximately HK\$24.3 million), and make such other payments (if any) as provided in the Agreements.

For further details of the acquisition of the Properties, please refer to the Company's announcements dated 20 January 2022, 21 January 2022, 2 January 2024, and 29 February 2024.

OVPD and its subsidiaries have provided the Group with a business opportunity in relation to property management services for their real estate projects. On 1 December 2021, the Company and OVPD entered into a framework agreement, pursuant to which OVPD agreed to appoint the Group for the provision of the property management services, the commercial properties and merchants' management services and marketing, event planning and consulting services for a term commencing on 1 December 2021 and ending on 31 December 2023, which allowed the Group to operate its property management businesses. The services constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the independent Shareholders approved the relevant framework agreement and transactions contemplated thereunder by way of poll at the extraordinary general meeting held on 16 March 2022.

On 4 December 2023, the Company and OVPD entered into a renewed framework agreement (the "2024 Framework Agreement"), pursuant to which OVPD agreed to appoint the Group for the provision of the property management services and the commercial properties and merchants management services and environment sanitation engineering services for a term commencing on 1 January 2024 and ending on 31 December 2026. The services contemplated under the 2024 Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the independent Shareholders approved the 2024 Framework Agreement and transactions contemplated thereunder by way of poll at the extraordinary general meeting held by the Company on 18 January 2024.

During the Year, relevant services provided to OVPD and its subsidiaries contributed revenue of approximately HK\$39.3 million (2023: approximately HK\$48.0 million) to the Group.

With the Group's effort in developing its property management businesses, during the Year, the Group recorded revenue from property management businesses, including property management services and rental income, of approximately HK\$210.3 million (2023: approximately HK\$185.7 million), representing an increase of approximately 13.2%.

CHAIRMAN'S STATEMENT

Environmental Hygiene Businesses

In order to ensure environmental protection is coordinated with economic development, the Chinese government has incorporated environmental protection into the national economic and social development plan, and promoted the green and intelligent transformation of the sanitation industry in an all-round way. In 2024, the Chinese government implemented various policies and measures to support the environmental hygiene industry, including promoting the investment and construction of urban and rural environmental protection infrastructures, intensifying efforts on reforming government procurement services in key areas such as urban and rural community public services and public health services, speeding up the improvement of garbage collection and treatment system to facilitate the construction of smart garbage sorting facilities. The Group continued to upgrade its environmental hygiene service portfolio to meet customers' needs by incorporating advanced cleaning technologies and adopting more efficient and sustainable practices. The Group continued providing comprehensive cleaning, maintenance, and waste management solutions.

Concurrently, the Chinese government also stringently implemented the Environmental Hygiene Action Plan, including strengthening supervision and inspection and feedback on the implementation of rectification of problems. With a focus on meeting customers' needs and incorporating advanced practices, the industry was experiencing growth and contributing to enhancing public hygiene and cleanliness. It is worth noting that the Chinese government has recently introduced national standards for urban and rural sanitation and cleaning services. These standards aim to regulate the industry further, improve service quality, and increase pollution emissions standards. For example, in Cangzhou City, the PRC, waste incineration facilities are now only permitted for vehicles that meet the National VI emission standards to enter the waste incineration area to reduce air pollution. The Company invested in acquiring environmentally friendly vehicles in the second half of 2023. Stricter industry standards and heightened environmental regulations have compelled companies to upgrade their environmental hygiene business vehicles. Besides, advance equipments and machineries could save the manpower with a view to lowering the staff costs which would benefit the Group.

During the Year, revenue from the environmental hygiene business segment recorded a decrease as compared to Year 2023, mainly attributable to the decrease in sporadic contracts (services provided under non-tender contracts) during the Year when compared to Year 2023 and the expiration of an environmental hygiene services project of the Group in Hebei Province, the PRC, in the second quarter of 2024. On the other hand, the improvement in the Group's ability to meet the customers' stringent service standards reviewed by PRC government departments resulted in lowering the penalty and partially offset the decrease in the Group's contracted revenue during the Year.

During the Year, the Group recorded revenue of approximately HK\$129.6 million from its environmental hygiene services businesses (2023: approximately HK\$147.4 million). The Group has lowered direct labour costs and operational costs through improved personnel optimization, outsourcing some tasks to subcontractor to process, cost-saving measures, which made a significant improvement in gross profit margins in the environmental hygiene service businesses during the Year.

The Group encountered challenges in collecting customer service fees during the Year, which was delayed due to the ongoing economic situation in the PRC. The prolonged collection cycle of accounts receivables, particularly from government sector customers, had significantly affected the Group's cash flow. However, in 2024, the Hebei provincial government held a dedicated urban management meeting, where it mandated all local city, county, and district governments to prioritize and ensure timely payment of fees for key environmental hygiene services, including garbage collection, transfer, treatment, and wastewater treatment. This initiative is designed to alleviate the financial burdens and cash flow challenges of the Group, although it may require some time before the benefits of this policy become apparent.

CHAIRMAN'S STATEMENT

Environmental hygiene companies are anticipated to encounter even more significant obstacles in maintaining their profit margins due to the escalating industry standards and compliance requirements. To navigate these challenges successfully, the Group intends to uphold its range of services, strengthen customer relationships, implement innovative mechanization strategies, and expand its current customer base at a suitable opportunity time to ensure consistent revenue growth. Additionally, the Group aims to enhance operational efficiency, optimise work processes, and reduce administrative and operational costs in the coming years.

The Group will continue to implement the following measures, including but not limited to:

1. Conducting regular and timely maintenance of mechanical equipment to ensure optimal performance and reduce repair costs;
2. Increasing mechanization through combined operations to improve efficiency and replace manual operations;
3. Implementing regular safety training programs for employees, emphasising the importance of safety protocols and minimising the occurrence of accidents; and
4. Implementing strict controls on the loss of operational tools and production materials to manage material consumption costs effectively.

Integrated Development Businesses

During the Year, the Group's integrated development businesses included the operation and management of tourist attractions and cultural spots, the development and operation of tourism related facilities, and the provision of marketing, event planning, and consulting services. As a result, for the Year, the integrated development businesses included (i) tourism attractions related services; and (ii) marketing, event planning, and consulting services.

(a) Tourism attractions related income

The Group's non-wholly owned subsidiary Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) ("Tu Men Travel") owns and operates a tourist attraction and cultural spot in Shijiazhuang City, Hebei Province, the PRC which generates tourism attractions related income.

In 2024, Tu Men Travel recorded a revenue of approximately HK\$5.9 million (2023: approximately HK\$8.3 million). The decline in revenue for Tu Men Travel can be attributed to adverse weather conditions, high vacancy rates in the shopping arcade, increased competition from nearby villagers' autonomous businesses, and a lack of distinct and competitive offerings from certain merchants. These combined factors drove the decrease in revenue during the Year.

Tu Men Travel's gross profit for the Year amounted to approximately HK\$5.0 million (2023: approximately HK\$7.3 million). The decrease in the gross profit was due to the decrease in revenue during the Year.

Overall, the Group's involvement in tourism and cultural spot management aligned with the government's development plans and aimed to capitalize on the region's cultural and ecological advantages to improve the profitability of the integrated development businesses.

CHAIRMAN'S STATEMENT

The Group also engaged in the development of tourism-related facilities in the PRC. During the Year, a piece of land located at Lot No. 2018-48, Dongtumen Village, Bailuquanxiang, Luquan District, Shijiazhuang City, Hebei Province, the PRC, with an aggregate site area of 14,637 square meters, was under the planning stage and was recognised as inventories in the Group's consolidated financial statements as at 31 December 2024 in the carrying amount of approximately HK\$14.9 million (2023: approximately HK\$15.1 million).

Pursuant to an agreement dated 28 October 2021 entered into between the Group and local government authority, a piece of land in Shijiazhuang City, Hebei Province, the PRC, with an aggregate site area of approximately 21,647 square meters, which was recognised as inventories in the consolidated financial statements as at 31 December 2020 in the carrying amount of approximately HK\$102.3 million, was returned to the local government in 2021 for the consideration of approximately RMB85.0 million (equivalent to approximately HK\$102.2 million). As at 31 December 2024, the receivable balance from the government authority amounted to approximately RMB3.5 million (2023: RMB10.0 million), equivalent to approximately HK\$3.7 million (2023: approximately HK\$11.0 million), which is expected to be received on or before June 2025.

(b) Marketing, event planning and consulting services

Due to the shift in sales and marketing strategy of OVPD and its subsidiaries, which were the major customers for the marketing, event planning and consulting services, since 2023, the demand for marketing, event planning, and consulting services from the Group has experienced a substantial decline.

During the Year, the Group did not record any revenue (2023: approximately HK\$1.0 million) from marketing, event planning and consulting services.

Diversified Tourism Products and Services Businesses

The Group's diversified tourism products and services segment principally provided outbound travel-related services for PRC customers.

As the Group focused on other businesses, such as property management and environmental hygiene, no revenue in this segment was recorded by the Group in 2023 and 2024. Given the resumption of outbound travel in the PRC, the Group will reassess the surrounding business environment and make appropriate arrangements for this business segment to achieve the best interest of the Company and its Shareholders as a whole.

FUTURE OUTLOOK

Looking forward, the Group is committed to upholding its social responsibility by providing customers with high-quality services that contribute to a better quality of life. Simultaneously, the Group aims to enhance its brand value through these efforts. To safeguard the stability of the revenue stream and foster sustainable growth, the Group prioritized selecting high-quality projects and it retained customers with a timely payment history.

Given the intense competition and stringent regulations in the PRC, particularly within the property management and environmental hygiene sectors, the Group has embraced a proactive strategy and comprehensive plan to tackle market challenges, monitor market dynamics, and respond to the changes in government policies. The Group will continue to adjust its market strategy in order to swiftly meet government policies, eventually enhancing service quality, business growth, and customer stability.

CHAIRMAN'S STATEMENT

The Group also explores potential collaborations with target customers through profit-sharing arrangements or acquires controlling stakes from them to enhance its investment portfolio and drive returns.

In terms of business expansion, the Group is actively seeking acquisition opportunities, specifically targeting the property management, tourism, and environmental services sectors. The Group also plans to acquire commercial and residential properties for leasing in order to enrich the properties leasing portfolio and enlarge the stable revenue stream from leasing.

In summary, the Group's core objectives revolve around prioritizing long-term growth, mitigating risks through a light asset investment model, and expanding its global presence through strategic acquisitions and property leasing. By implementing these strategies, the Group aims to fortify its financial position, diversify its portfolio, and benefit its stakeholders substantially.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to the Shareholders and business partners of the Group for their continuous support, as well as to each member of the Board, management and all our staff members for their diligence, devotions and contributions.

Mo Yueming
Chairman

Hong Kong, , 26 March 2025

* denotes an English translation of the Chinese name for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Property Management Businesses

The details of the business performance of the property management businesses are set out in the section headed “Property Management Businesses” under “Industry Overview, Business Strategy and Business Review” in “Chairman’s Statement”.

Benefit from the business development and performance of property management segment, the Group recorded revenue from property management and leasing services of approximately HK\$210.3 million (2023: approximately HK\$185.7 million) during the Year, representing an increase of approximately 13.2% compared to the corresponding period of Year 2023.



Environmental Hygiene Businesses

The details of the business performance of the environmental hygiene businesses are set out in the section headed “Environmental Hygiene Businesses” under “Industry Overview, Business Strategy and Business Review” in “Chairman’s Statement”.

During the Year, the improvement in the Group’s ability to meet the customers’ stringent service standards reviewed by PRC government departments resulted in lowering the penalty and partially offset the decrease in the Group’s revenue of the sporadic contracts from the environmental hygiene businesses.

The Group recorded revenue of approximately HK\$129.6 million (2023: approximately HK\$147.4 million) from its environmental hygiene services businesses during the Year, representing a decrease of approximately 12.1% compared to the corresponding period of Year 2023.



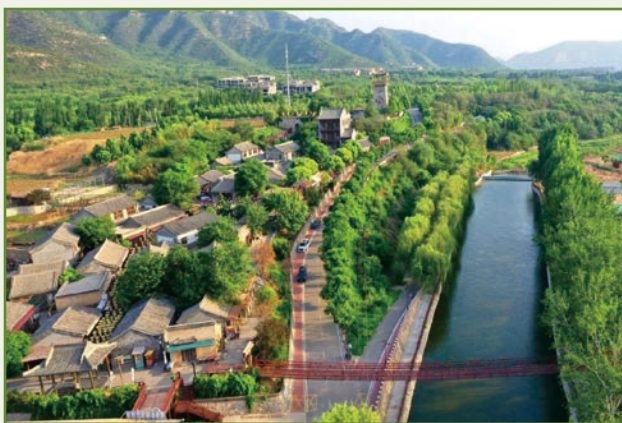
MANAGEMENT DISCUSSION AND ANALYSIS

Integrated Development Businesses

The details of the business performance of the integrated development businesses are set out in the section headed “Integrated Development Businesses” under “Industry Overview, Business Strategy and Business Review” in “Chairman’s Statement”.

Due to unfavorable factors such as intensified competition, the scale of the tourism attractions-related business has been reduced. The Group recorded revenue from tourism attractions related income of approximately HK\$5.9 million (2023: approximately HK\$8.3 million) during the Year, representing a decrease of approximately 28.9% compared to Year 2023.

Due to the changing of sales and marketing strategy of OVPD, the Group did not record any revenue from marketing event planning and consulting services during the Year (2023: approximately HK\$1.0 million).



Diversified Tourism Products and Services Businesses

The Group’s diversified tourism products and services segment principally provided outbound travel-related services for PRC customers.

As the Group focused on other businesses, such as property management and environmental hygiene, no revenue in this segment was recorded by the Group during the Year and Year 2023. Given the resumption of outbound travel in the PRC, the Group will reassess the surrounding business environment and make appropriate arrangements for this business segment to achieve the best interest of the Company and its Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Operating Performance

Analysis by nature of revenue:

	2024		2023	
	HK\$'000	%	HK \$'000	%
Property management businesses:				
Property management and leasing-related services	210,347	60.8	185,746	54.3
Environmental hygiene businesses:				
Environmental hygiene services	129,643	37.5	147,357	43.0
Integrated development businesses:				
Marketing, event planning and consulting services	–	–	992	0.3
Tourism attractions-related income	5,922	1.7	8,276	2.4
Sub-total	5,922	1.7	9,268	2.7
Total	345,912	100.0	342,371	100.0

The Group recorded revenue of approximately HK\$345.9 million (2023: approximately HK\$342.4 million) for the Year, representing an increase of approximately 1.0% compared to Year 2023.

The Group recorded revenue from property management businesses increased by approximately HK\$24.6 million during the Year as compared to Year 2023. It was mainly attributable a full-year income generated from certain secured projects in 2023 and more new projects secured during the Year.

The Group recorded revenue from the environmental hygiene businesses decreased by approximately HK\$17.8 million as compared to Year 2023. The decrease in revenue from the environmental hygiene businesses during the Year was due to the decrease in sporadic contracts (services provided under non-tender contracts) during the Year when compared to Year 2023 and the expiration of an environmental hygiene services project of the Group in the second quarter of 2024.

The decline in revenue from the Group's integrated development businesses was due to (i) no revenue (2023: approximately HK\$1.0 million) generated from the marketing, event planning, and consulting services by the Group during the Year as changes in OVPD's sales and marketing strategy since 2023 and (ii) the adverse weather conditions and keen competition from nearby villagers' autonomous businesses in Tu Men Travel. In 2024, the Group recorded revenue from tourism attraction-related activities from Tu Men Travel amounted to approximately HK\$5.9 million (2023: approximately HK\$8.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$97.3 million for the Year (2023: approximately HK\$85.2 million). The Group's overall gross profit improved for the Year as compared to Year 2023. The significant increase in the gross profit from the environmental hygiene businesses was partially offset by the drop of gross profit from the integrated development businesses. The gross profit margin increased by approximately 3.2 percentage points from approximately 24.9% for the Year 2023 to approximately 28.1% for the Year.

The property management businesses recorded a slight increase in gross profit by approximately HK\$1.9 million from approximately HK\$58.0 million for the Year 2023 to approximately HK\$59.9 million for the Year. The Group also recorded a slight decrease in gross profit margin by approximately 2.7 percentage points from approximately 31.2% for the Year 2023 to approximately 28.5% for the Year. The decrease in the gross profit margin in the property management businesses were attributable to the competitive bidding price on new projects, primarily in the public facilities projects for the Year.

The environmental hygiene businesses recorded an increase in gross profit by approximately HK\$12.6 million from approximately HK\$19.8 million for the Year 2023 to approximately HK\$32.4 million for the Year. The Group also recorded an increase in the gross profit margin by approximately 11.5 percentage points from approximately 13.5% for the Year 2023 to approximately 25.0% for the Year. The significant improvement in the gross profit margin in the environmental hygiene business was primarily due to the reduction of direct labour costs and operational costs through improved personnel optimization, outsourcing some tasks to subcontractor to process and introduced cost-saving measures in the Year.

The integrated development businesses recorded a decrease in gross profit by approximately HK\$2.4 million from approximately HK\$7.4 million for the Year 2023 to approximately HK\$5.0 million for the Year. The Group also recorded an increase in the gross profit margin by approximately 5.8 percentage points from approximately 79.2% for the Year 2023 to approximately 85.0% for the Year. The change in the gross profit margin in the integrated development businesses was due to no operations in marketing, event planning, and consulting services for the Year. Furthermore, the efficient utilization of resources in Tu Men Travel improved the gross profit margin within the integrated development businesses during the Year.

Profit for the Year

Profit for the Year amounted to approximately HK\$48.9 million (2023: approximately HK\$38.0 million). Except for the factors mentioned above that impacted the Group's profit for the Year, the increase in profit for the Year was mainly attributable to (i) the improvement in gross profit of the Group of approximately HK\$12.1 million; (ii) compensations received by the Group in the aggregate sum of approximately RMB4.6 million (equivalent to approximately HK\$5.0 million) for the termination of the acquisition of 47 commercial units located in Shijiazhuang City, Hebei Province, the PRC and the delay of delivery of the Properties; and (iii) effective cost control measures to reduce the selling, general and administrative expenses, contributed to the profit of the Group for the Year, despite that, unlike in 2023, no gain on disposal of a subsidiary was recorded for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Assets Structure

As at 31 December 2024 and 2023, the Group's assets mainly included property, plant and equipment and right-of-use assets, investment properties, investment in an associate, inventories, trade receivables, contract assets, prepayments, deposits and other receivables, amount due from an associate, time deposits with original maturity over three months and cash and cash equivalents, details of which are set out below:

- i. Property, plant and equipment, and right-of-use assets of approximately HK\$139.9 million (2023: approximately HK\$161.3 million) as at 31 December 2024, in aggregate, mainly represented (i) properties and other equipment of the tourist attraction and cultural spot owned by Tu Men Travel in the net carrying amount of approximately HK\$103.0 million (2023: approximately HK\$110.0 million); and (ii) vehicles and other equipment of the Group's environmental hygiene businesses in the net carrying amount of approximately HK\$29.6 million (2023: approximately HK\$45.9 million), which were mainly acquired to cope with the Group's environmental hygiene operating projects.
- ii. Investment properties of approximately HK\$76.0 million (2023: approximately HK\$74.8 million) as at 31 December 2024 mainly represented fair values of the right-of-use assets of commercial properties located in Shijiazhuang City, Hebei Province, the PRC of approximately HK\$73.7 million (2023: approximately HK\$74.8 million) leased by the Group from property owners to earn rentals.
- iii. Investment in an associate of approximately HK\$22.7 million (2023: approximately HK\$25.1 million) as at 31 December 2024 represented the Group's 40% equity interest in Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司, "Dakun Zhifang"). Dakun Zhifang owns a piece of land located at Wanlong Road, Huangtuzui Village, Xiwanzi Town, Chongli District, Zhangjiakou City, Hebei Province, the PRC with an aggregate area of 79,039 square meters, which was under preliminary development stage (the "Development Project") with "Certificate of Permitting Construction and Engineering Planning*" ("建設工程規劃許可證") obtained in September 2021, and was recognised as investment properties and inventories in the books of Dakun Zhifang as at 31 December 2024 in the carrying amounts of approximately HK\$112.6 million and approximately HK\$90.7 million respectively (2023: approximately HK\$121.4 million and approximately HK\$93.5 million respectively).

In response to the economic uncertainties stemming from the COVID-19 pandemic, which have led to subdued private investment, declining consumer confidence, and high youth unemployment rates in recent years, the Group temporarily suspended the Dakun Zhifang Development Project. The Group now requires an extended period to carefully evaluate the feasibility of recommencing the project. The determination to proceed hinges on assessing the potential returns and the necessity for additional capital investment. Simultaneously, the Group proactively explores alternative exit strategies to mitigate and avoid potential challenges.

As at 31 December 2024, amount due from Dakun Zhifang (the "Advances", which were made when Dakun Zhifang was a subsidiary of the Company) was approximately HK\$56.2 million (2023: approximately HK\$63.8 million), which were non-interest-bearing demand loan.

MANAGEMENT DISCUSSION AND ANALYSIS

- iv. Inventories of approximately HK\$15.1 million (2023: approximately HK\$15.3 million) as at 31 December 2024 mainly represented the carrying amount of a piece of land in Shijiazhuang City, Hebei Province, the PRC with an aggregate area of 14,637 square meters under planning stage of approximately HK\$14.9 million (2023: approximately HK\$15.1 million).
- v. Trade receivables of approximately HK\$158.5 million (2023: approximately HK\$90.4 million) as at 31 December 2024 were derived from (i) the property management segment of approximately HK\$52.3 million (2023: approximately HK\$42.8 million), (ii) the environmental hygiene segment of approximately HK\$103.7 million (2023: approximately HK\$44.5 million), and (iii) the marketing, event planning and consulting services under the integrated development segment of approximately HK\$2.5 million (2023: approximately HK\$3.1 million). The significant increase in the trade receivables balance of the Group was primarily a result of certain customers in the environmental hygiene and property management sectors delaying their payments due to their cash flow challenges.
- vi. Contract assets of approximately HK\$16.9 million (2023: approximately 41.8 million) as at 31 December 2024 are trade receivables that still need to be invoiced, specifically from customers which were government authorities in the environmental hygiene businesses as they maintain stringent procedures to validate the work performed by the Group. Upon customer confirmation of the service quality and completion of the service provided by the Group, invoices will be issued to these customers. Subsequently, these invoiced receivables will be classified as trade receivables.
- vii. Prepayments, deposits and other receivables and amount due from an associate of approximately HK\$110.3 million (2023: approximately HK\$131.1 million) as at 31 December 2024 mainly represented by (i) the Advances of approximately HK\$56.2 million (2023: approximately HK\$63.8 million); (ii) the aggregate of the consideration paid and the compensation for the termination of the acquisition of 47 commercial units from Zijingyuehe Centre, located at 17th Floor and 18th Floor, building number 1 Zijingyuehe Centre (South Zone), 2 Fengya Road, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區豐雅路2號紫晶悅和中心南區) of approximately HK\$26.5 million (2023: approximately HK\$25.1 million, which was the consideration paid and grouped under non-current asset as at 31 December 2023); and (iii) receivables of approximately HK\$3.8 million (2023: approximately HK\$11.0 million) for the return of the piece of land in Shijiazhuang City, Hebei Province, the PRC (“Receivables from the Expropriation of Shijiazhuang Land”) with an aggregate area of approximately 21,647 square meters.

Throughout the Year, the decrease in balance was mainly due to receiving (i) approximately HK\$7.6 million from Advances; (ii) RMB6.5 million (equivalent to approximately HK\$7.2 million) for the return of the Receivables from the Expropriation of Shijiazhuang Land; (iii) refund of a deposit approximately HK\$6.6 million from a customer.
- viii. Time deposits with original maturity over three months and cash and cash equivalents were approximately HK\$86.4 million (2023: approximately HK\$272.2 million) as at 31 December 2024. The significant decrease was mainly attributable to the combined effect of (i) the redemption of perpetual convertible securities of approximately HK\$184.3 million; (ii) the distributions paid to the holders of perpetual convertible securities of approximately HK\$35.8 million; and (iii) the payment for the acquisition of property, plant and equipment of the Group of approximately HK\$2.1 million during the Year. However, the decrease was narrowed by the receipt of (i) HK\$7.6 million from Advances; (ii) RMB6.5 million (equivalent to approximately HK\$7.2 million) for the return of the Receivables from the Expropriation of Shijiazhuang Land; (iii) refund of a deposit approximately HK\$6.6 million from a customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities Structure

As at 31 December 2024 and 2023, the Group's liabilities mainly included trade payables and contract liabilities, other payables and lease liabilities, details of which are set out below:

- i. Trade payables and contract liabilities of approximately HK\$62.3 million (2023: approximately HK\$56.9 million) as at 31 December 2024 were derived from (i) the property management segment of approximately HK\$38.3 million (2023: approximately HK\$34.5 million), (ii) the environmental hygiene segment of approximately HK\$18.2 million (2023: approximately HK\$13.7 million), and (iii) the marketing, event planning and consulting services under the integrated development segment of approximately HK\$5.8 million (2023: approximately HK\$8.3 million). The increase in these trade payables and contract liabilities was primarily due to increase in the environmental hygiene segment and the property management segment throughout the Year.
- ii. Other payables of approximately HK\$63.0 million (2023: approximately HK\$65.6 million) as at 31 December 2024 mainly derived from (i) the property management segment of approximately HK\$26.9 million (2023: approximately HK\$17.0 million), which mainly comprised receipts in advance and deposits received from customers and accrued salaries and retirement contributions, (ii) the environment hygiene segment of approximately HK\$17.7million (2023: approximately HK\$29.4 million), which mainly comprised accrued salaries and retirement contributions and the receipts in advance from customers and (iii) the integrated development segment of approximately HK\$15.0 million (2023: approximately HK\$15.0 million), which mainly comprised the land and construction costs payable and consideration payable regarding the acquisition of Tu Men Travel.
- iii. Lease liabilities of approximately HK\$46.4 million (2023: approximately HK\$49.2 million) as at 31 December 2024 were mainly comprised of (i) lease liabilities of the right-of-use assets of approximately HK\$45.5 million (2023: approximately HK\$46.5 million) of commercial properties located in Shijiazhuang City, Hebei Province, the PRC leased by the Group from property owners to earn rentals and (ii) the obligation under finance lease of the machinery and equipment of approximately HK\$0.9 million (2023: approximately HK\$2.7 million) under the environmental hygiene segment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. During the Year, the Group's operations and investments were supported by internal resources.

As at 31 December 2024, the Group had a current ratio (calculated by dividing current assets by the current liabilities) of approximately 2.6 (2023: approximately 3.8).

As the Group had no bank and other borrowings as at 31 December 2024 and 2023, the gearing ratio (calculated by dividing net debt (defined as bank and other borrowings net of cash equivalents) by total equity) was not applicable to the Group for both years.

CAPITAL STRUCTURE

The capital structure of the Group as at 31 December 2024 are summarised as follows:

As at 31 December 2024, the Company had 258,441,510 (2023: 258,441,510) ordinary shares (adjusted as a result of the Share Consolidation, as defined below) in issue with total shareholders' equity of the Group amounted to approximately HK\$327.5 million (2023: approximately HK\$594.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Share Consolidation and Change of Board Lot Size

On 31 October 2024, the Board proposed the consolidation of every fifty (50) issued and unissued then existing shares of par value HK\$0.005 each in the share capital of the Company into one (1) consolidated share of par value HK\$0.25 each (the “Consolidated Share(s)”) (“Share Consolidation”) and the change in board lot size for trading on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) from 10,000 then existing shares to 2,000 Consolidated Shares.

On 2 December 2024, the Shareholders approved the Share Consolidation at the extraordinary general meeting, and the Share Consolidation became effective on 4 December 2024.

Immediately after the Share Consolidation which became effective on 4 December 2024, the authorised share capital of the Company became HK\$100,000,000 and divided into 400,000,000 Consolidated Shares of par value HK\$0.25 each, of which 258,441,510 Consolidated Shares were in issue as fully paid or credited as fully paid and the board lot size for trading on the Stock Exchange became 2,000 Consolidated Shares.

For details, please refer to announcements of the Company dated 31 October 2024 and the circular of the Company dated 11 November 2024.

Perpetual Convertible Securities

On 30 March 2016, the Company issued perpetual convertible securities in an aggregate principal amount of HK\$170,000,000 (312,729,948 units) (the “2016 March PCS”). The net proceeds of HK\$155,668,000 were recorded as equity. The Group pledged the entire equity interest in Hua Yu New Life Services (Shenzhen) Company Limited (formerly named Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the 2016 March PCS (the “Pledges”).

On 24 October 2016, the Company issued perpetual convertible securities in an aggregate principal amount of HK\$264,867,000 (2,069,272,901 units) (the “2016 October PCS”, together with the 2016 March PCS, the “PCS”). The amount of HK\$240,888,000 were recorded as equity.

The PCS have no fixed redemption dates. The Company may at its option redeem in whole for the 2016 October PCS or in whole or in part for the 2016 March PCS. Distributions at a rate of 6% per annum shall be payable on the PCS semi-annually. Such scheduled distribution under the 2016 March PCS and the 2016 October PCS may be deferred or cancelled respectively at the sole discretion of the Company unless compulsory distribution payment events (including a discretionary dividend to ordinary shareholders of the Company or repaying any securities of lower rank or early redemption of securities prior to its stated maturity) has occurred. Any deferred distribution under the 2016 March PCS shall constitute arrears of distribution and shall be cumulative whereas any distributions that are cancelled under the 2016 October PCS shall be non-cumulative. Distributions can be in the form of cash or other instruments, like ordinary shares, at the Company’s discretion.

MANAGEMENT DISCUSSION AND ANALYSIS

2016 October PCS

In 2017 and 2018, the principal amount of HK\$170,000 (1,330,000 units) and HK\$128,000 (1,000,000 units) of the 2016 October PCS have been converted into ordinary shares in the Company respectively. In September 2023, the Pledges were released.

As at 31 December 2023, there were 2,066,942,901 units of the 2016 October PCS in an aggregate principal amount of HK\$264,569,000 outstanding.

On 24 October 2024, save that (i) approximately HK\$144,028,000 has been booked as an amount due to a controlling shareholder (the “Amount Due to a Controlling Shareholder”) of the Company, who was the largest holder of the 2016 October PCS; and (ii) approximately HK\$15 in total has remained unclaimed by several holders, the whole principal amount of the 2016 October PCS were settled in cash. Subsequently, the Amount Due to a Controlling Shareholder has been fully settled (a) by cash in the sum of approximately HK\$63,726,000; (b) by the issuance of the perpetual bonds in the principal amount of HK\$80,000,000 (the “Perpetual Bonds”) by the Company; and (c) by offsetting the amount of approximately HK\$302,000 due from such controlling shareholder. As at 31 December 2024, there was no outstanding 2016 October PCS.

2016 March PCS

On 20 May 2019, 183,958,793 units of the 2016 March PCS have been redeemed by the Company at the total principal amount of HK\$100,000,000. As at 31 December 2024 and 2023, there were 128,771,155 units of the 2016 March PCS in an aggregate principal amount of HK\$70,000,000 outstanding.

At 31 December 2024, the accumulated deferred distribution amounted to HK\$Nil (2023: HK\$16,800,000).

As at 31 December 2024, the 2016 March PCS are convertible at the option of the holders into a maximum of 2,575,423 ordinary shares in the Company at the adjusted conversion price of HK\$27.18 (after the Share Consolidation becoming effective) per ordinary share of the Company.

Perpetual Bonds

In December 2024, the Company entered into a subscription agreement (the “Subscription Agreement”) with a controlling shareholder of the Company (the “Subscriber”), pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, the Perpetual Bonds in the principal amount of HK\$80.0 million.

The Company issued the Perpetual Bonds to the Subscriber in December 2024. The subscription price of the Perpetual Bonds was satisfied by the Subscriber by way of set-off of the debt in the amount of HK\$80.0 million owed by the Company to the Subscriber.

The Perpetual Bonds confer a right on the holder to receive distributions at a distribution rate of 5.4% per annum, which shall be payable annually in arrears. The Company may, at its sole discretion, elect to cancel any scheduled distributions and distributions that are cancelled shall be non-cumulative. The Perpetual Bonds have no fixed redemption date and are redeemable either in full or in part at the option of the Company at the outstanding principal amount of the Perpetual Bonds to be redeemed together with any distribution accrued to the date fixed for redemption.

As (i) the terms of the Subscription Agreement are on normal commercial terms or better; and (ii) the Perpetual Bonds are not secured by any asset of the Group, the issue of the Perpetual Bonds by the Company is fully exempt from the shareholders’ approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The majority of the subsidiaries of the Group operate in the PRC, with most of the transactions denominated and settled in RMB. Fluctuations in exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CAPITAL COMMITMENT

As at 31 December 2024, the Group had capital commitment relating to the investment in an equity security of approximately HK\$15.9 million (2023: approximately HK\$16.5 million).

MATERIAL ACQUISITION, SIGNIFICANT INVESTMENTS AND DISPOSAL

The Group had no significant investments, material acquisition and disposal of subsidiaries and associated companies during the Year.

PLEDGE OF ASSETS

As at 31 December 2024 and 31 December 2023, none of the Group's assets were pledged.

MATERIAL CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Group had no material contingent liabilities.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2024, the total number of employees of the Group was approximately 2,100 (2023: approximately 2,200). Staff costs (including Directors' emoluments) of approximately HK\$98.8 million (2023: approximately HK\$99.0 million) were incurred during the Year.

In addition to salary, other fringe benefits such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. The employees' performance is normally reviewed annually with adjustments to their salaries comparable to those of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their individual performance.

The Group operates its business mainly in the PRC. The PRC-based employees of the Group participate in various defined contribution retirement benefit plans operated by the relevant municipal and provincial governments in the PRC (the "PRC Retirement Scheme") in accordance with the rules and regulations. The Group's subsidiaries, which operate in the PRC, must make monthly contributions to these plans, which are calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC-based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has joined the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance (Cap. 485 of the Laws of Hong Kong) (the “MPF Scheme”) for all employees in Hong Kong. The contributions to the MPF Scheme are based on the minimum statutory contribution requirement of the lower of 5% of eligible employees’ relevant aggregate income and HK\$1,500 per month. The funds of the MPF Scheme are held separately from those of the Group.

There are no provisions under the PRC Retirement Scheme and MPF Scheme whereby forfeited contributions may be used to reduce future contributions.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2023: Nil).

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any material event of the Group that has taken place subsequent to 31 December 2024 and up to the date of this annual report.

* denotes an English translation of the Chinese name for identification purpose only.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Mo Yueming (“Mr. Mo”)

Chairman of the board of directors, executive director and chief executive officer

Mr. Mo, aged 60, was appointed as an executive Director on 2 May 2018, as a chairman of the Board on 28 June 2024 and as a chief executive officer on 22 November 2024. Mr. Mo is the chairman of the nomination committee of the Company (the “Nomination Committee”) and member of the remuneration committee of the Company (the “Remuneration Committee”). Mr. Mo holds a degree of Executive Master of Business Administration from the HEC school of Management in Paris, France, a Master’s degree in Business in Economics (商業經濟學) from the Chinese Academy of Social Sciences (中國社會科學院) and a Bachelor’s degree in Accounting from Beijing Institute of Business* (北京商學院).

Mr. Mo has over 20 years of experience in accounting and corporate management of the tourism industry and other industries, including working as the vice general manager and Chief Accountant of China Pan Travel Industry Development Co., Ltd.* (中國泛旅實業發展股份有限公司) (now known as China Spacesat Co., Ltd. (中國天地衛星股份有限公司) (「China Spacesat」), a company listed on the Shanghai Stock Exchange with stock code 600118 and Mr. Mo has been a director of China Spacesat since June 2001; Mr. Mo has been a director of Zhejiang Yongfeng Environmental Sci&tech Co., Ltd. (浙江永峰環保科技股份有限公司), a company listed on National Equities Exchange and Quotations with stock code 838806 since 23 February 2016 for a term from 23 February 2016 to 22 February 2019; and the senior vice president of Orient Landscape Holdings Co., Ltd.* (東方園林股份有限公司) and the Chief Operating Officer of Orient Brigade Group* (東方文旅集團) from 28 April 2017 to 27 November 2017. Besides, Mr. Mo was the president of Orient Victory Culture & Travel Group* (東勝文化旅遊集團) which is controlled by Mr. Shi and Comfort Cultural Tourism Industry Group Co., Ltd.* (康輝文化旅遊產業集團股份有限公司) from March 2018 to March 2019.

Mr. Mo has been a director of China Comfort Tourism Group Company Limited* (中國康輝旅遊集團有限責任公司) since April 2018. Further, since 2020, Mr. Mo has served as the chairman of Beijing Dora Aimeng Travel Development Holding Co., Ltd.* (北京朵拉愛萌旅遊開發股份有限公司) and Beijing Dongfu Petroleum Technology Co., Ltd.* (北京東孚石油科技有限公司).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Hao Ying (“Ms. Hao”)

Executive director

Ms. Hao, the stage name of the announcer Luo Lan, aged 56, was appointed as an executive director on 28 June 2024. Ms. Hao has over 30 years of experience in media integration, public opinion promotion, advertising operations, and team management. Ms. Hao has been the general manager of the property management business of the Group since April 2023.

Ms. Hao graduated from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院) in December 1998, majoring in politics and law.

Prior to joining the Group, Ms. Hao served as the secretary of the secretary department from August 1990 to December 1993, a news anchor from January 1994 to March 2015, a deputy director from July 2010 to March 2015 and a director of music broadcasting from April 2015 to November 2019 at Shijiazhuang Broadcasting and Television Station* (石家莊廣播電視台). Thereafter, she served as the general manager of the brand management center of Orient Victory Property Development Company Limited* (東勝房地產開發有限公司) from December 2019 to January 2022 and acted as its deputy director and chief brand officer until her resignation in April 2023.

Mr. Xue Fei (“Mr. Xue”)

Executive director

Mr. Xue, aged 37, was appointed as an executive director on 28 June 2024. Mr. Xue currently serves as the president of the Investment and Mergers and Acquisition Department of the Group. He also serves as the legal representative and general manager of certain subsidiaries of the Company.

Prior to joining the Group, Mr. Xue served as a (i) securities broker at China Merchants Securities Co., Ltd (招商證券股份有限公司) from July 2012 to January 2013 and (ii) capital specialist at Hebei Jiwu Metal Recycling Co., Ltd.* (河北冀物金屬回收有限公司) from July 2013 to March 2015. Thereafter, he joined Orient Victory Property Development Company Limited* (東勝房地產開發有限公司) and acted as a manager in the International Business Department from March 2015 to February 2018 and acted as a vice president in the same department until his resignation in February 2024.

Mr. Xue graduated from Tianjin University (天津大學) with an undergraduate degree in Engineering, majoring in Chemical Engineering and Technology, in 2011. He obtained a master's degree in Economics from Shanghai Maritime University (上海海事大學), majoring in Industrial Economics, in 2013.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. He Qi, (“Mr. He”)

Independent non-executive director

Mr. He, aged 69, was appointed as an independent non-executive director in September 2014. Mr. He is a member of the audit committee of the Company (the “Audit Committee”) and the Nomination Committee. He has been an independent non-executive director of China Evergrande Group, a company listed on the Stock Exchange (stock code: 3333), since 2009. From 2013 to May 2023, Mr. He was an independent non-executive director of China Merchants Land Limited, a company listed on the Stock Exchange (stock code: 978). Mr. He was the deputy secretary of China Real Estate Association for the period from 2006 to 2016. Mr. He is currently a secretary of Real Estate in Distribution and Rental Committee of China Real Estate Association.

Mr. Swei Feng-jih (“Mr. Swei”)

Independent non-executive director

Mr. Swei, aged 56, was appointed as an independent non-executive director on 25 June 2018. Mr. Swei is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Mr. Swei graduated from National Cheng-Chi University (國立政治大學), Taiwan, with a Bachelor degree of Science in Banking in June 1993. In June 2005, he was awarded the Executive Master of Business Administration in Finance from National Central University (國立中央大學), Taiwan and was further awarded the Master of Business Administration from the University of Glasgow, the United Kingdom in September 2006.

Mr. Swei has extensive experience in the finance industry. He was licensed to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO. From October 2001 to December 2006, Mr. Swei worked at the trust division of Taipei Fubon Bank as assistant vice president. From April 2007 to November 2009, he worked for KGI Wealth Management Limited with his last position as a responsible officer for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. From November 2009 to April 2010, he was the Head of Product Team of Wealth Management at Taishin International Bank Co., Ltd. (Hong Kong). From September 2010 to June 2019, he was a responsible officer of Pamirs Capital (H.K.) Limited and in charge of the supervision of type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. From August 2016 to February 2019, he was a director of ACF International Insurance Broker Co., Limited. From July 2019 to December 2021, he was the general manager of ZJKF Securities Investment (Hong Kong) Limited. From March 2022 to March 2023 and from April 2024 to March 2025, he was the chairman of Tatung (Shanghai) Co., Ltd. (大同(上海)有限公司). From January 2022 to March 2025, he was the Head of the Operating Department of the Finance and Accounting Department of Tatung Co., a company listed on the Taiwan Stock Exchange (stock code: 2371); and from March 2022 to March 2025, he was a director of Forward Electronics Co., Ltd., a company listed on the Taipei Exchange (stock code: 8085); and from May 2023 to March 2025, he was the legal representative and the chairman of Suzhou Forward Electronics Equipment (Dong Guan) Co., Ltd. (蘇州福華電子科技有限公司) and Forward Electronics Equipment (Doing Guan) Co. Ltd. (福華電子設備(東莞)有限公司).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Hua Rong, Harry (“Mr. Lin”)

Independent non-executive director

Mr. Lin, aged 63, was appointed as an independent non-executive director on 28 June 2024. Mr. Lin is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Lin graduated from China University of Political Science and Law with a bachelor’s degree in law in 1983. He passed the Common Professional Examination in Law in England and Wales in 1989, then became a solicitor in England and Wales. He was also admitted as a solicitor in Hong Kong in 1997.

In his early legal career, he worked in London for many years. Then, he moved to Hong Kong in 1998, providing multi-jurisdictional cross-border financing legal services for financial institutions. Thereafter, he set up Lin and Associates in 2015 and ceased to be a partner of the firm in 2019 for retirement.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wong Chi Kin (“Mr. Wong”)

Deputy Chief Executive Officer

Mr. Wong, aged 52, was appointed as the deputy chief executive officer of the Company in July 2023 and was the chief financial officer of the Company during the period from October 2014 to October 2018. Mr. Wong has about 30 years of solid accounting, banking and corporate finance experience gained from reputable commercial banks and leading investment banks (including ING Bank, UBS and Morgan Stanley).

Prior to joining the Company as the chief financial officer in 2014, Mr. Wong held various management positions at China Qinfu Group Limited, a company listed on the Stock Exchange, (stock code: 866), including (i) deputy chief financial officer (from April 2011 to September 2011); (ii) chief financial officer (from September 2011 to October 2014); and (iii) company secretary (from July 2011 to August 2014).

Besides, Mr. Wong was (i) appointed as an independent non-executive director of Tsui Wah Holdings Limited, a company listed on the Stock Exchange, (stock code: 1314) in November 2012 and was re-designated to a non-executive director in November 2016; (ii) appointed as an independent non-executive director of each of Forgame Holdings Limited, a company listed on the Stock Exchange, (stock code: 484) in May 2020; (iii) appointed as an independent non-executive director of Modern Chinese Medicine Group Co., Ltd., a company listed on the Stock Exchange, (stock code: 1643) in April 2023; (iv) appointed as an independent non-executive director of Lianlian DigiTech Company Limited, a company listed on the Stock Exchange, (stock code: 2598) in June 2023; and (v) appointed as an independent non-executive director of Jiu Rong Holdings Limited, a Company listed on the Stock Exchange, (stock code: 2358) in August 2023.

For the period from July 2018 to July 2019, given Mr. Wong’s professional background and his areas of expertise, he was the chairman of the independent board committee of Shenzhou Space Park Group Limited (“Shenzhou Space”) whose shares were listed on the Stock Exchange (former stock code: 692) and delisted in December 2019 under Rule 6.01A of the Listing Rules, and an independent non-executive director. Throughout his appointment in Shenzhou Space, Mr. Wong played curial roles in delivering independent advice on listing resumption proposal and corporate governance issues as well as providing guidance in the investigation of certain transactions (for details, please refer to the announcement of Shenzhou Space dated 9 December 2019). For the period from November 2021 to February 2022, Mr. Wong was a member of the independent investigation committee of Mayer Holdings Limited whose shares are listed on the Stock Exchange (stock code: 1116), and an independent non-executive director. For the period from March 2017 to June 2023, Mr. Wong was a non-executive director of Asiaray Media Group Limited, a company listed on the Stock Exchange, (stock code: 1993).

Mr. Wong obtained a Bachelor of Science (Honours) degree in Finance from the City University of Hong Kong in December 1996, a Certificate in Consecutive Interpretation in Putonghua/English from The School of Professional and Continuing Education of The University of Hong Kong in March 2001, a Master’s degree in Practicing Accounting from the Monash University, Australia in November 2001, and a Master of Business Administration degree (Executive MBA Programme) from The Chinese University of Hong Kong in December 2010 (Dean’s list: 2009/2010).

* denotes an English translation of the Chinese name for identification purpose only.

REPORT OF THE DIRECTORS

The Board hereby presents the report of the Directors and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

During the Year, the Company was an investment holding company and its subsidiaries were principally engaged in the property management and leasing services businesses for residential and commercial properties, the environmental hygiene businesses, the integrated development businesses and the diversified tourism products and services businesses.

FAIR REVIEW OF BUSINESS

The business review of the Group for the Year as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a review of the business and a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have been occurred since the end of financial year 2024 and an indication of likely future development in the Group's business are set out in the Chairman's Statement and the Management Discussion and Analysis from pages 4 to 10 and pages 11 to 21 of this Annual Report respectively. These discussions form part of this report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting a sustainable and environmentally friendly environment as part of its corporate and social responsibility.

Recognising its obligation to mitigate the adverse environmental effects of its operations, the Group has proactively established relevant policies and implemented reasonable business measures to minimize environmental impact and adhere to relevant environmental laws and regulations.

To ensure compliance with environmental laws and regulations, the Group has implemented measures including (i) developing and enhancing management practices and operational guidelines for energy conservation, air and GHG emission reduction, noise control, and waste management; and (ii) procuring environmentally friendly equipment to support its business operations.

During the year ended 31 December 2024, the Group did not incur any significant fines or penalties related to the violation of environmental laws or regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group had complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

REPORT OF THE DIRECTORS

KEY RELATIONSHIP WITH STAKEHOLDERS

Relationship with Employees

The Group recognises the importance of maintaining a positive relationship with its employees, as they are valuable assets that contribute to the Group's long-term success. The Group aims to attract and retain skilled and talented individuals who align with its corporate culture. The Group implements various initiatives, including sponsored training and development programs and an effective incentive system to achieve this. Educating employees on proper conduct, anti-corruption best practices, and preventing unethical behavior fosters a culture of integrity and responsible business practices throughout the organisation.

For more comprehensive information on employee and staff costs and the Group's emolument policy, please refer to the "Management Discussion and Analysis – Employees and Remuneration of Employees" section and the Environmental, Social, and Governance (the "ESG") Report which is available on the websites of the Company and the Stock Exchange.

Relationship with Suppliers

The Group is dedicated to cultivating robust relationships with suppliers, recognising them as crucial long-term business partners that contribute to the stability of our operations. The Group has formulated the procurement procedure and assigned relevant personnel to manage its supply chain in an ESG-responsible manner. The Group enhance our business collaborations with suppliers through continuous, proactive, and effective communication. When selecting suppliers, The Group conduct assessments fairly, transparently, and consistently, ensuring the establishment of a level playing field in the market.

For more comprehensive information about the Group major suppliers, please refer to the section entitled "Major Customers and Suppliers" and the ESG Report which is available on the websites of the Company and the Stock Exchange.

Relationship with Customers

The satisfaction of the Group's customers with our services and products has a profound impact on our profitability. The Group maintains constant and effective communication with existing and potential customers, aiming to establish a mutual understanding while meeting their needs and expectations. By understanding and fulfilling customers' requirements, the Group can stay informed about market trends and adjust our operational strategies to meet market demands. Our continuous commitment to enhancing the quality of our products and services remains a top priority.

The Group has implemented robust privacy protection procedures to protect our customers' private information.

For further comprehensive information about the Group's major customers, please refer to the sections titled "Major Customers and Suppliers" and the ESG Report which is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

FINANCIAL RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 67 of this Annual Report.

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the amended and restated memorandum and articles of association of the Company (the “Articles of Association”).

Provided there are distributable profits and without affecting the operations of the Group, the Company may consider to declare and pay dividends to the Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, including but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group’s lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association.

The Board does not recommend the payment of a final dividend for the Year (2023: Nil).

CHARITABLE DONATIONS

The Group had not made any donations during the year ended 31 December 2024 (2023: HK\$: Nil)

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

Details of movements in the property, plant and equipment, investment properties and right-of-use assets of the Group during the Year are set out in notes 13, 14 and 15 to the consolidated financial statements respectively.

REPORT OF THE DIRECTORS

PERPETUAL CONVERTIBLE SECURITIES (“PCS”)

The 2016 March PCS

With a view to broadening the shareholder base, increasing the Company’s capital base, and repaying the loan of the Company, the Company issued perpetual convertible securities on 30 March 2016 (“2016 March PCS Issue Date”), with an aggregate principal amount of HK\$170,000,000 (the “2016 March PCS”). The net proceeds of HK\$155,668,000 were recorded as equity. As at 31 December 2024 and 2023, there were 128,771,155 units of the 2016 March PCS in an aggregate principal amount of HK\$70,000,000 outstanding.

Summary of the principal terms of the 2016 March PCS

Ranking: The 2016 March PCS constitutes direct, guaranteed, secured and unsubordinated obligations of the Company and shall at all times rank pari passu without any preference among themselves.

Maturity date: The 2016 March PCS are perpetual securities with respect to the fact that there is no fixed redemption date.

Distributions: The 2016 March PCS confers a right to receive distribution at 6% per annum (“2016 March PCS Distribution”) from the 2016 March PCS Issue Date. The 2016 March PCS Distribution shall be payable on the 2016 March PCS semi-annually (each payment date, a “2016 March PCS Distribution Payment Date”).

If any 2016 March PCS Distribution is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

The Company may, at its sole discretion, elect to defer in whole or in part the 2016 March PCS Distribution, which is otherwise scheduled to be paid on a 2016 March PCS Distribution Payment Date, to the next 2016 March PCS Distribution Payment Date by giving notice of not more than 20 nor less than 10 business days prior to the relevant 2016 March PCS Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred. Any such deferred Distribution shall constitute “Arrears of Distribution”.

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of 2016 March PCS Distribution at the Distribution interest rate at 6% per annum (“Distribution Rate”) and the amount of such distribution (“Additional Distribution Amount”) with respect to Arrears of Distribution shall be calculated by applying the Distribution rate to the amount of the Arrears of Distribution and otherwise mutatis mutandis as provided in the terms and conditions in relation to the 2016 March PCS. The Additional Distribution Amount accrued up to any 2016 March PCS Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such 2016 March PCS Distribution Payment Date so that it will itself become Arrears of Distributions.

REPORT OF THE DIRECTORS

Restriction in case of distribution deferral

If, on any 2016 March PCS Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Company shall not: (a) declare or pay any discretionary dividends or distributions or make any other payment, and will procure that no dividend, distribution or other payment is made, on any parity securities or junior securities of the Company; or (b) at its discretion repurchase, redeem or otherwise acquire for any consideration any parity securities or early redeemable securities prior to its stated maturity or junior securities of the Company, in each case, unless and until (i) the Company has satisfied in full all outstanding Arrears of Distribution and Additional Distribution Amount; or (ii) the Company is permitted to do so by a holder of 2016 March PCS.

Conversion:

Subject to the serving of a duly completed and executed conversion notice and the condition that no fraction of share will not be issued on conversion, a holder of 2016 March PCS has the right to convert its 2016 March PCS into Shares, provided that the holder of 2016 March PCS may only convert such number of 2016 March PCS as would not cause the Company to not comply with the minimum public float requirement under the rules and regulations of the Stock Exchange, following the conversion.

Initial conversion price:

The conversion price of 2016 March PCS is HK\$0.5436 per ordinary share of the Company, subject to adjustments including, among others, as a result of consolidation, subdivision, re-denomination or reclassification, capitalisation of profits or reserves, all distributions, rights issues or issue of options, warrants or other rights to subscribe for or purchase of the Shares, rights issues of securities (other than the Shares or options, warrants or other rights to subscribe for or purchase Shares), issues at a price which below the current market price of the Shares, modifications of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities, offers to the Shareholders.

Due to the completion of the Share Consolidation on 4 December 2024, the conversion price of the 2016 March PCS adjusted upward to HK\$27.18 per ordinary share from HK\$0.5436 per ordinary share of the Company.

Voting:

The holder of 2016 March PCS will not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of 2016 March PCS.

Transferability:

The 2016 March PCS is freely transferrable.

REPORT OF THE DIRECTORS

Redemption:	<p>The 2016 March PCS are perpetual securities in respect of which there is no fixed redemption date.</p> <p>The Company may, at its option at any time, by giving not less than five business days' written notice to the holder of 2016 March PCS, redeem either in whole or in part of the 2016 March PCS for the time being outstanding at the optional redemption price together with all outstanding 2016 March PCS Distribution and the 2016 March PCS Distribution accrued to the date fixed for redemption.</p>
Forced redemption event:	<p>Upon the occurrence of a sale, disposal, or transfer by the Company of any of its major assets without the prior written approval of the holder of 2016 March PCS, the holder of 2016 March PCS serve a notice on the Company requiring the Company to redeem the outstanding 2016 March PCS held by such holder of 2016 March PCS at the forced redemption price together with all outstanding 2016 March PCS Distribution and the 2016 March PCS Distribution accrued to the date fixed for redemption.</p>
Put option:	<p>Mr. Shi is required, at the option of any holder of the 2016 March PC, to purchase all or part of their holding of the 2016 March PCS on the date of the third anniversary of the completion date of the issue of the 2016 March PCS at the put repurchase price, which includes the principal amount and a 12% annual interest rate on the principal amount of the 2016 March PCS.</p>
Forced repurchase event:	<p>Upon the occurrence of a Forced Repurchase Event, the holder of the 2016 March PCS may serve a notice on the Company requiring Mr. Shi to purchase the outstanding 2016 March PCS held by such holder of the 2016 March PCS at the forced repurchase price together with all outstanding 2016 March PCS Distributions and 2016 March PCS Distribution accrued to the date fixed for repurchase.</p> <p>A "Forced Repurchase Event" means, among other things, any of the following events:</p> <ul style="list-style-type: none">(i) an occurrence of a Material Adverse Change in the Company;(ii) Mr. Shi ceases to hold, directly or indirectly, over 50 percent of the entire issued share capital of the Company;(iii) the Company fails to deposit an amount equivalent to six percent of the then outstanding principal amount of the PCS on each anniversary date of the 2016 March PCS Issue Date into the Reserve Account;

REPORT OF THE DIRECTORS

- (iv) the Company becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a re-adjustment or deferment of its obligations or any part of them;
- (v) a petition is presented, a proceeding is commenced, an order is made, or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company;
- (vi) the insolvency of the Company;
- (vii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its principal operating subsidiaries;
- (viii) the listing of the Shares (as a class) on the Stock Exchange ceases;
- (ix) the Company fails to meet the minimum public float requirement under the rules and regulations of the Stock Exchange;
- (x) any of the personal guarantee or the corporate guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any of the guarantors; and
- (xi) the security is or becomes unenforceable or invalid or is not or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect or any security interest created pursuant to the security documents is not or fails to remain perfected and of first priority in favour of the security agent for the benefit of itself and the holder of the 2016 March PCS.

The principal and relevant terms have been extracted above. For further details regarding the 2016 March PCS, please refer to the announcements of the Company dated 28 June 2015 and 8 January 2016, as well as the circular of the Company dated 21 August 2015.

REPORT OF THE DIRECTORS

The 2016 October PCS

Due to financial difficulties and the potential expansion or acquisition of the business, the Company issued perpetual convertible securities in an aggregate principal amount of HK\$264,867,000 on 24 October 2016 (the “2016 October PCS”, together with the 2016 March PCS, the “PCS”) (“2016 October PCS Issue Date”). The amount of HK\$240,880,000 was recorded as equity. At 31 December 2023, there were 2,066,942,901 units of the 2016 October PCS in an aggregate principal amount of HK\$264,569,000 outstanding. On 24 October 2024, the 2016 October PCS was redeemed in full by the Company. At 31 December 2024, there is no outstanding of the 2016 October PCS.

Summary of the principal terms of the 2016 October PCS

Ranking:	The obligations of the Company under the 2016 October PCS are direct, unconditional, unsecured and unsubordinated. The 2016 October PCS shall at all times rank pari passu without any preference among themselves. In the event of the winding-up of the Company, the rights and claims of the holders of the 2016 October PCS (“Holders of 2016 October PCS”) shall rank ahead of all other present and future subordinated creditors of the Company, and rank at least equally with all other present and future unsecured and unsubordinated creditors of the Company, save for such exceptions as may be provided in the applicable legislation.
Maturity date:	The 2016 October PCS is perpetual securities with no maturity date.
Distribution:	Fixed distribution payable semi-annually (“2016 October PCS Distribution”) at 6% per annum in arrears (“2016 October PCS Distribution Payment Date”), subject to the optional cancellation by the Company by giving notice to the Holders of 2016 October PCS not more than 60 and not less than 30 business days prior to each relevant 2016 October PCS Distribution Payment Date. 2016 October PCS Distributions that are cancelled shall be non-cumulative and the Holders of 2016 October PCS shall have no right to any cancelled 2016 October PCS Distribution. There will be no interest in any cancelled 2016 October PCS Distribution.
Restriction in case of cancellation of distribution	The first two 2016 October PCS Distributions are additional benefits to the Holders of 2016 October PCS and the subsequent 2016 October PCS Distributions may or may not be cancelled by the Company. The cancellation of subsequent 2016 October PCS Distributions is only a possibility which will depend on the financial condition of the Company, while there is no guarantee of any dividend payable to Ordinary Shareholders. Furthermore, there is sufficient safeguard to avoid the Company arbitrarily cancelling the subsequent 2016 October PCS Distributions or redeeming the 2016 October PCS, given all decisions to cancel 2016 October PCS Distributions or redeem the 2016 October PCS shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions.
Optional deferral of distributions:	2016 October PCS Distributions that are cancelled shall be non-cumulative and the Holders of the 2016 October PCS shall have no right to any cancelled 2016 October PCS Distribution.

REPORT OF THE DIRECTORS

Conversion:	The Holders of 2016 October PCS shall have the right to convert any of their 2016 October PCS into new Shares at any time after the 2016 October PCS Issue Date, subject to the terms of the 2016 October PCS.
Conversion price:	The conversion price of 2016 October PCS is HK\$0.128 per ordinary share of the Company, subject to adjustment as provided for in terms of the 2016 October PCS (including but not limited to an alteration to the nominal amount of the Shares as a result of consolidation, subdivision, or reclassification, capitalisation of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares).
Restriction on conversion:	The 2016 October PCS do not carry any voting rights, and the Holders of 2016 October PCS are not entitled to receive notice of, attend, or vote at general meetings of the Company by reason only of it being a Holder of 2016 October PCS.
Voting:	The 2016 October PCS do not carry any voting rights, and the Holders of 2016 October PCS are not entitled to receive notice of, attend, or vote at general meetings of the Company by reason only of it being a Holder of 2016 October PCS.
Transferability:	Subject to the terms of the 2016 October PCS, the 2016 October PCS may be transferred by delivery of the certificate issued in respect of those 2016 October PCS, with the transfer form, in such form as may from time to time be adopted by the Company, duly completed, signed and duly stamped, to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. No transfer of the 2016 October PCS will be valid unless and until such transfer has been entered on the register of Holders of the 2016 October PCS.
Redemption:	The 2016 October PCS may be redeemed at the option of the Company in full on any 2016 October PCS Distribution Payment Date at the face value of the outstanding principal amount (together with any 2016 October PCS Distribution accrued to the date fixed for redemption but subject to the Company's right to cancel such 2016 October PCS Distributions). All decisions to redeem the 2016 October PCS by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions.

The principal and relevant terms have been extracted above. For further details regarding the 2016 October PCS, please refer to the announcements of the Company dated 9 September 2016, 19 September 2016, and 21 October 2016, as well as the circular of the Company dated 29 September 2016.

During the Year, save that (i) approximately HK\$144,028,000 had been booked as an amount due to Orient Victory Real Estate Group Holdings Limited (東勝置業集團控股有限公司) ("OVRE"), which was the largest holder of the 2016 October PCS; and (ii) approximately HK\$15 in total has remained unclaimed by several holders, the whole principal amount of the 2016 October PCS was settled in cash. Subsequently, the amount due to OVRE had been fully settled (a) by cash in the sum of approximately HK\$63,726,000; (b) by the issuance of the Perpetual Bonds; and (c) by offsetting the amount of approximately HK\$302,000 due from OVRE. As at 31 December 2024, there was no outstanding 2016 October PCS.

Details of the PCS during the Year are set out in note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report, the Company has not entered into or renewed any equity-linked agreement during the Year or subsisted at the end of the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Art 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 38(a) to the consolidated financial statements and on page 72 in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The aggregate amount of reserves available for distribution to equity shareholders of the Company as at 31 December 2024 amounted to approximately HK\$109,471,000 (2023: approximately HK\$183,876,000), calculated in accordance with the provisions of the Companies Law, Cap. 22 (Art 3 of 1961, as consolidated and revised) of the Cayman Islands.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 148 of this Annual Report.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to prior to the printing of this Annual Report are:

Executive Directors:

Mr. Mo Yueming (*Chairman and Chief Executive Officer*) (*appointed as chairman of the Board on 28 June 2024 and chief executive officer on 22 November 2024*)

Ms. Hao Ying (*appointed on 28 June 2024*)

Mr. Xue Fei (*appointed on 28 June 2024*)

Mr. Shi Baodong (*Chairman and Chief Executive Officer*) (*retired on 28 June 2024*)

Mr. Zhao Huining (*retired on 28 June 2024*)

Non-executive Director:

Ms. Chang Meiqi (*retired on 28 June 2024*)

Independent Non-executive Directors:

Mr. He Qi

Mr. Sui Feng-jih

Mr. Lin Hua Ying, Harry (*appointed on 28 June 2024*)

Mr. Dong Xiaojie (*retired on 28 June 2024*)

Under code provision B.2.3 in Part 2 of the Corporate Governance Code set out in Appendix C1 to the Main Board Listing Rules, Mr. He Qi should be subject to a separate resolution to re-election him as an independent non-executive Director at the forthcoming annual general meeting of the Company as he has served as independent non-executive Directors for the Company for over nine years. The Board recognises that despite Mr. He Qi's lengthy tenure, he maintains an independent mindset and provides invaluable expertise, knowledge, experience, professionalism, continuity, and stability to the Board. The Company has greatly benefited from his contributions and valuable insights derived from his extensive knowledge of the Company. His presence also enhances the diversity of experience within the Board. In determining whether Mr. He is still independent in spite of the fact that he has been serving the Company for more than nine years, the Nomination Committee has considered, in addition to the independence requirements under Rule 3.13 of the Listing Rules, whether he (i) has involved in the management of the Group, which is executive in nature; (ii) has involved in other business of any of the connected persons or the controlling shareholders of the Company; and (iii) is financially independent on the Group and its connected persons. Having made all reasonable enquiries by the Company, and as confirmed by Mr. He, he has not involved in the executive management of the Group or other business of the connected persons or the controlling shareholders of the Company. Besides, save that he is entitled to a director's fee for his office as an independent non-executive Director, he is not financially dependent on the Group or any of its connected persons and controlling shareholders.

In accordance with Article 116 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if such number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment, but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless otherwise agreed between themselves) be determined by lot.

REPORT OF THE DIRECTORS

Accordingly, Mr. Swei Feng-jih and Mr. He Qi will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 27 June 2025 (the “2025 AGM”).

At the 2025 AGM, separate ordinary resolutions will be put forward to the Shareholders in relation to the proposed re-election of Mr. Swei Feng-jih and Mr. He Qi as independent non-executive Directors.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed “Biographies of Directors and Senior Management” on pages 22 to 26 of this Annual Report.

CHANGES IN DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of the information of the Directors is as follows:

Mr. Mo Yueming has been appointed as the chairman of the Board and the chief executive officer of the Company with effect from 28 June 2024 and 22 November 2024 respectively.

Mr. Shi has retired as the chairman of the Board and chief executive officer with effect from 28 June 2024.

Mr. He Qi has ceased to be an independent non-executive director of China Merchants Land Limited (stock code: 978) with effect from May 2023.

Mr. Swei Feng-jih resigned as the chairman of Tatung (Shanghai) Co., Ltd. (大同(上海)有限公司); as the Head of the Operating Department of the Finance and Accounting Department of Tatung Co., a company listed on the Taiwan Stock Exchange (stock code: 2371); as a director of Forward Electronics Co., Ltd., a company listed on the Taipei Exchange (stock code: 8085); and as the legal representative and the chairman of Suzhou Forward Electronics Equipment (Dong Guan) Co., Ltd. (蘇州福華電子科技有限公司) and Forward Electronics Equipment (Doing Guan) Co. Ltd. (福華電子設備(東莞)有限公司) in March 2025.

Mr. Xue Fei and Ms. Hao Ying has been appointed as executive directors of the Company and Mr. Lin Hua Rong Harry has been appointed as an independent non-executive director of the Company on 28 June 2024. As at 21 June 2024, each of them received legal advice relating to director’s duties and responsibilities under applicable laws and regulations from a law firm qualified to advise on Hong Kong law, and had confirmed that they fully understood their obligations as a director of the Company in accordance with Rule 3.09D.

Save as disclosed above, during the Year, there was no change to information which is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS’ SERVICE CONTRACTS OR LETTER OF APPOINTMENTS

None of the Directors has a service contract or letter of appointments with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

DIRECTORS' INDEMNITY PROVISION

Pursuant to Article 179 of the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

The Company had arranged for appropriate directors' liability insurance coverage for the Directors of the Group during the Year.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent since the date of their respective appointment date and as at the date of this Annual Report, the Company still considers the independent non-executive Directors to be independent.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this Annual Report, there was no contract of significance entered into between the Company or its holding companies or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries for the Year.

For the Year, save as disclosed in this Annual Report, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling Shareholders or any of its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, none of the Directors or entities connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

REMUNERATION POLICY, DIRECTORS' REMUNERATION AND PENSION SCHEME

The Remuneration Committee was set up to review the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the grounds of the Group's operating results, individual performance of the Directors and senior management, and comparable market practices. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties, including attendance at board meetings and committee meetings.

In addition to salary, other fringe benefits, such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. The employees' performance is normally reviewed annually with adjustments to their salaries comparable to those of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their performance.

The Group operates its business mainly in the PRC. The PRC-based employees of the Group participate in various defined contribution retirement benefit plans operated by the relevant municipal and provincial governments in the PRC (the "PRC Retirement Scheme") in accordance with the rules and regulations. The Group's subsidiaries, which operate in the PRC, must make

REPORT OF THE DIRECTORS

monthly contributions to these plans, which are calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC-based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group has joined the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance (Cap. 485 of the Laws of Hong Kong) (the "MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on the minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500 per month. The funds of the MPF Scheme are held separately from those of the Group.

There are no provisions under the PRC Retirement Scheme and MPF Scheme whereby forfeited contributions may be used to reduce future contributions.

As at 31 December 2024, the total number of employees of the Group was approximately 2,100 (2023: approximately 2,200). Staff costs (including Directors' emoluments) of approximately HK\$98.8 million (2023: approximately HK\$99.0 million) were incurred during the Year.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 9 to the consolidated financial statements in this Annual Report.

During the Year, none of the Directors have waived their emoluments in relation to their services.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares/ underlying shares of the Company held	Approximate percentage of shareholding in the Company
			(Note)
Mr. Xue Fei	Beneficial owner	18,000	0.01%

Note: The approximate percentage was calculated based on 258,441,510 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executive of the Company has or is deemed to have any long or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Annual Report, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, to the best knowledge of the Directors, the following entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares/ underlying shares of the Company held	Approximate percentage of shareholding in the Company (Note 4)
OVRE ^(Note 1)	Beneficial owner	160,465,320	62.09%
Outstanding Global Holdings Limited ("OGH") ^(Note 2)	Person having security interests in shares of the Company	130,025,474	50.31%
Chance Talent Management Limited ("CTM") ^(Note 3)	Person having security interests in shares and perpetual convertible securities of the Company	132,600,897	51.31%

Notes:

- OVRE is wholly owned by Mr. Shi. The security interests include holding (i) 157,889,897 Shares and (ii) the 2016 March PCS convertible into 2,575,423 Shares.
- OGH is wholly owned by China Huarong International Holdings Limited, which is indirectly wholly owned by China CITIC Financial Asset Management Co., Ltd (formerly known as China Huarong Asset Management Co., Ltd.) (a corporation listed on the Stock Exchange (stock code: 2799)). The security interests are 130,025,474 Shares pledged by OVRE.
- CTM is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship that is indirectly wholly owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC with limited liability and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). The 132,600,897 Shares, in the aggregate, comprise security interests in (i) 130,025,474 Shares pledged by OVRE and (ii) the 2016 March PCS (convertible into 2,575,423 Shares) pledged by OVRE.
- The approximate percentage was calculated based on 258,441,510 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying shares of the Company which would require disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTOR'S INTEREST IN COMPETING BUSINESSES

Except for Mr. Shi, there was no other Director deemed to have interests in businesses that compete or may compete, either directly or indirectly, with the Group's operations, except for those businesses where the Director(s) of the Company have been appointed as directors or represent the interests of the Company and/or the Group pursuant to the Listing Rules during the Year and up to the date of this Annual Report. The details of Mr. Shi's interest in the competing businesses of the Group are set out below.

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interest
Mr. Shi	Orient Victory Group HK Holdings Limited 東勝集團香港控股有限公司 ("OVHK") (Note 1)	Real estate/Property development	Sole director and sole shareholder
	OVPD (東勝房地產開發集團有限公司) (Note 1)	Real estate/Property development	own 95% shares
	Hebei Jianing Commercial Management Co., Limited* (河北嘉寧商業管理有限公司) (Note 2)	Commercial property management	Sole shareholder
	Hebei Orient Victory Commercial Management Co., Limited* (河北東勝商業管理有限公司) (Note 2)	Commercial property management	Sole shareholder

Notes:

- As (i) Mr. Shi was fully aware of his fiduciary duty to the Group, and abstained from voting on any matter where there was or might have been a conflict of interest; (ii) the Group engaged only in travel-related property development projects located in the countryside while OVHK and OVPD engaged in property development projects other than travel-related property development projects located in urban areas; and (iii) the Group had the right of first refusal on any travel-related property development projects, the Group was capable of carrying its business independently and at arm's length from the businesses of these entities.
- As (i) Mr. Shi was fully aware of his fiduciary duty to the Group and abstained from voting on any matter where there was or might have been a conflict of interest; and (ii) the Group had the right of first refusal on any further projects relating to the property management services and commercial properties and merchants management services, the Group was capable of carrying its business independently and at arm's length from the businesses of these entities.

Save as disclosed in this Annual Report, as at 31 December 2024, none of the Directors or any of their respective close associates had engaged in or had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions which were subject to reporting, annual review and announcement requirements and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

Framework Agreement with OVPD

On 1 December 2021, the Company entered into a framework agreement (the "Framework Agreement") with OVPD in respect of the provision of (i) the event planning and all-round event production services (the "Event Planning Services") in connection with the real estate development business of OVPD and its subsidiaries (collectively the "OVPD Group"); (ii) the property management services (the "Property Management Services"); and (iii) the commercial properties and merchants management services (the "Commercial Properties and Merchants Management Services") with OVPD, which expired on 31 December 2023. Further details of the Framework Agreement are set out in the Company's circular dated 28 February 2022. On 4 December 2023, the Company entered into a new framework agreement with OVPD ("2024 Framework Agreement"), pursuant to which OVPD agrees to appoint the Group for the provision of (i) the Property Management Services; (ii) the Commercial Properties and Merchants Management Services; and (iii) the environmental sanitation engineering services (the "Environmental Sanitation Engineering Services") for a term of 3 years commencing on 1 January 2024 and ending on 31 December 2026. For details of the 2024 Framework Agreement, please refer to the circular of the Company dated 29 December 2023.

As OVPD is owned as to 95% by Mr. Shi, OVPD is an associate of Mr. Shi (who was a then Director) and thus a connected person of the Company. Therefore, the 2024 Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum total amount of the annual caps (the "Annual Caps") of the services are more than 5% and exceed HK\$10.0 million, the transactions contemplated under the 2024 Framework Agreement are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2024 Framework Agreement and the transactions contemplated thereunder (including the new annual caps) were approved by independent Shareholders in an extraordinary general meeting of the Company held on 18 January 2024.

REPORT OF THE DIRECTORS

Set out below are the Annual Caps in respect of each of (i) the Property Management Services, (ii) the Commercial Properties and Merchants Management Services and (iii) Environmental Sanitation Engineering Services under the 2024 Framework Agreement.

	Annual Caps for the year ended/ending		
	31 December 2024	31 December 2025	31 December 2026
	RMB (Million)	RMB (Million)	RMB (Million)
Property Management Services	7.0	4.2	4.2
Commercial Properties and Merchants Management Services	36.0	36.0	36.0
Environmental Sanitation Engineering Services	10.6	13.3	14.1

For the Year, the aggregate transaction amounts (including value added tax) of the Property Management Services, the Commercial Properties and Merchants Management Services and the Environmental Sanitation Engineering Services were RMB4.8 million (equivalent to approximately HK\$5.2 million), RMB33.6 million (equivalent to approximately HK\$36.4 million) and RMBnil million (equivalent to approximately HK\$nil million) respectively.

The auditor of the Company has confirmed that the aggregate transaction amounts of the Property Management Services, and the Commercial Properties and Merchants Management Services with the OVPD Group for the Year had not exceeded the respective Annual Caps for the Year.

Due to the revising on the design layout of certain projects of OVPD, there was no Environmental Sanitation Engineering Services income recorded for the Year.

Confirmations from the Directors, independent non-executive Directors and auditor of the Company

The Directors confirm that the Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions entered into by the Group during the Year.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and other fully exempt continuing connected transactions during the Year, and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Forvis Mazars CPA Limited (“Forvis Mazars”), the auditor of the Company (the “Auditor”), was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued their unqualified letter containing the Auditor’s findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three independent non-executive Directors, namely Mr. Swei Feng-jih (being the chairman of the Audit Committee), Mr. He Qi, and Mr. Lin Hua Rong, Harry. Ms. Chang Meiqi ceased to be a member of the Audit Committee on 28 June 2024 and Mr. Lin Hua Rong, Harry was appointed as a member of the Audit Committee on 28 June 2024.

The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal control of the Group. The Audit Committee has reviewed the annual results of the Group for the Year. The Audit Committee considers that appropriate accounting policies have been adopted, the applicable requirements of the Listing Rules have been complied with in preparing relevant results, and sufficient disclosures have been made.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 48 to 59 of this Annual Report. Save as disclosed in the Corporate Governance Report, the Company had complied with all applicable code provisions as in force during the Year under the “Corporate Governance Code” (the “CG Code”) contained in Appendix C1 of the Listing Rules throughout the Year. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

NON-COMPLIANCE WITH THE LISTING RULES

On 25 June 2024, the Stock Exchange issued a Statement of Disciplinary Action against the Company and Mr. Shi for non-disclosure of certain information, which was a breach of Rule 2.13 of the Listing Rules (the “Non-Compliance”). For details of the Non-Compliance, please refer to the Statement of Disciplinary Action published on the website of the Stock Exchange.

SIGNIFICANT LEGAL PROCEEDINGS

During the Year, the Company had not involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company’s total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this Annual Report.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in the “Event after the Reporting Period” under the section headed “Management Discussion and Analysis” of this Annual Report.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the purchase from the Group's five largest suppliers accounted for approximately 44% of the total purchases and purchase from the largest supplier included therein accounted for approximately 20% of the total purchases. The revenue of the Group's five largest customers accounted for approximately 44% of the total revenue and the revenue of the largest customer included therein accounted for approximately 23% of the total revenue. For the Year and for the year ended 31 December 2023, the companies controlled by the ultimate controlling Shareholder were the second largest customer and the second largest customer respectively of the Group.

Save as the aforementioned, none of our Directors or any of their respective close associates or, any Shareholder (so far as our Directors were aware, who owned 5% or more of our issued share capital as at 31 December 2024), had any interest in any of our five largest suppliers or our five largest customers in 2024 and 2023.

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

During the Year, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

INDEPENDENT AUDITOR

KPMG resigned as auditor of the Company on 29 July 2022 and Forvis Mazars were appointed by the Company on 29 July 2022 to fill the casual vacancy so arising. Except for the above, there have been no other changes of auditor of the Company in the past three years.

A resolution for the re-appointment of Forvis Mazars as the Auditor will be proposed at the forthcoming annual general meeting of the Company.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the Year were approved by the Board on 26 March 2025.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, 24 June 2025, to Friday, 27 June 2025, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the 2025 AGM. The Shareholders whose names appear on the register of members of the Company on Friday, 27 June 2025 will be entitled to attend and vote at the 2025 AGM. In order to be eligible to attend and vote at the 2025 AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 23 June 2025.

On behalf of the Board

Mo Yueming
Chairman

Hong Kong, 26 March 2025

* denotes an English translation of the Chinese name for identification purpose only.

CORPORATE GOVERNANCE REPORT

The Company is committed to establishing good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to its Shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements. After reviewing the effectiveness of the risk management and internal control systems during the Year, the Company considered them effective and adequate.

CORPORATE GOVERNANCE CODE

The Company had complied with all applicable code provisions as in force during the Year under the CG Code contained in Appendix C1 of the Listing Rules throughout the Year except for deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Despite that Mr. Shi (the former chairman and chief executive officer) and Mr. Mo Yueming (the current chairman and chief executive officer), who took on the positions of chairman and the chief executive officer of the Company throughout the Year, all major decisions were made after the consultation with the Board. The Board considers that there is a sufficient balance of power, and the current corporate arrangement maintains a strong management position of the Company sufficiently.

Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the Year and, where appropriate, the applicable recommended best practices of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

The Company's employees, who are likely to possess inside information about the Company, have also been subject to the Model Code for securities transactions. The Company has not observed non-compliance with the Model Code by its employees throughout the Year.

BOARD COMPOSITION AND BOARD PRACTICES

Board Composition

As at 31 December 2024, the Board consisted of six Directors, including the chairman, Mr. Mo Yueming, who is also the chief executive officer and the executive Director of the Company, two additional executive Directors and three independent non-executive Directors. Not less than one-third of the Board are independent non-executive Directors. A list of the Directors and their respective biographies is set out on pages 22 to 25 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience which is appropriate to the requirement of the business of the Group. A balanced composition of executive Directors and non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal of Directors

The Articles of Association of the Company typically outline the specific procedures and processes related to the appointment, re-election, and removal of Directors. The appointment of the Directors is recommended by the Nomination Committee and approved by the Board based on a formal written procedure and a policy for the appointment of new Director(s). Skills, experience, expertise, devotion of time, and conflicts of interest are the key factors in selecting potential candidates for Director(s).

All the current independent non-executive Directors were appointed for a term of three years or no specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

The Company has received written confirmation annually from each independent non-executive Director, affirming their independence pursuant to the Listing Rules requirements. The Company considers all the independent non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

Board Diversity

The Board has adopted a policy on board diversity which will be reviewed by the Nomination Committee as appropriate to ensure the effectiveness of this policy. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered based on objective criteria, having due regard for the benefits of diversity on the Board.

The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group. The Board delegates the day-to-day management, administration and operations of the Group's business to the management of the relevant segments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies. The delegated functions and tasks are periodically reviewed by the Board.

The Board comprises individuals with a well-balanced mix of knowledge and skills in various areas. These areas include real estate development and operation, property management services, commercial operations and management, urban environmental hygiene services, elderly care industry investment, and operations, tourist attraction management and operations, accounting and corporate management in the tourism industry, and capital investment management.

The Director of the Board holds degrees in majors, including business administration, economics, accounting, politics, engineering, banking and law.

As of 31 December 2024, the Board encompasses a wide range of age groups, from 37 to 69. Regarding gender diversity, the Board consists of one female director, who accounts for 16.7% of the Board.

CORPORATE GOVERNANCE REPORT

Considering the nature and scope of the Group's business, the nomination committee of the Board is of the opinion that the current Board has sufficient independence and is well-balanced in terms of gender, age, nationality, professional experience, skills, and knowledge to support the execution of business strategy and maintain the Board's effectiveness.

Induction and Continuing Development for Directors

Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has an adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in continuous professional development programmes.

The Directors must also keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. According to records provided by the Directors, a summary of seminars and reading materials received by the Directors for the Year is as follows:

Name of Director	Attended seminars	Read materials
Mr. Mo Yueming	✓	✓
Ms. Hao Ying (<i>appointed on 28 June 2024</i>)	✓	✓
Mr. Xue Fei (<i>appointed on 28 June 2024</i>)	✓	✓
Mr. Sui Feng-jih	✓	✓
Mr. He Qi	✓	✓
Mr. Lin Hua Rong, Harry (<i>appointed on 28 June 2024</i>)	✓	✓
Mr. Shi Baodong (<i>retired on 28 June 2024</i>)	✓	✓
Mr. Zhao Huining (<i>retired on 28 June 2024</i>)	✓	✓
Ms. Chang Meiqi (<i>retired on 28 June 2024</i>)	✓	✓
Mr. Dong Xiaojie (<i>retired on 28 June 2024</i>)	✓	✓

During the Year, each Director has confirmed attending the training sessions organised by external professional parties regarding (i) Continuous Obligations under Chapter 13 of the Listing Rules, (ii) Disclosure of interests under Securities and Futures Ordinance Part XV, (iii) Connected transactions under Chapter 14A of the Listing Rules, (iv) Notifiable Transactions under Chapter 14 of the Listing Rules, (v) Directors' responsibilities under the Listing Rules and Hong Kong Companies Ordinance, (vi) Appendix C1 of the Corporate Governance Code, (vii) the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix C3) and (viii) Share Schemes under Chapter 17 of the Listing Rules. Besides, each Director has confirmed reading materials and other updated information provided by the Company regarding the latest development of the Listing Rules and other applicable regulations for their reference and study. All Directors confirmed they have complied with the code provision C.1.4 of the CG Code.

The Company encourages the senior management to improve their professional knowledge by attending external seminars and participating in the internal training provided by the Company.

CORPORATE GOVERNANCE REPORT

Rules and Guidelines for Conducting Meetings

Notices of at least fourteen days are given to the Directors for regular meetings, while relevant documents are sent to the Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, the Directors are given as much notices as reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. With the assistance of the executive Directors, the chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Articles of Association contain provisions requiring directors to abstain from voting or not be counted in the quorum at meetings for approving transactions in which such directors or associates have a material interest. This also applies to situations involving the significance of a contract, arrangement, transaction, or any director's entitlement.

The Directors have full access to information of the Group and are able to obtain independent professional advices whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

The company secretary of the Company (the "Company Secretary") ensures that the procedures are complied with all applicable rules and regulations. Minutes of board meetings and board committees meetings are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Attendance Record of Board Meetings

During the Year, the attendance of the Directors at the Board meetings and the general meeting was as follows:

Name of Director	Number of meetings attended/eligible to attend	
	Board meeting(s)	general meeting(s)
Mr. Mo Yueming (<i>chairman and chief executive officer</i>)	17/17	3/3
Ms. Hao Ying (<i>appointed on 28 June 2024</i>)	7/7	1/1
Mr. Xue Fei (<i>appointed on 28 June 2024</i>)	7/7	1/1
Mr. He Qi	16/17	2/3
Mr. Suei Feng-jih	17/17	3/3
Mr. Lin Hua Ying, Harry (<i>appointed on 28 June 2024</i>)	7/7	1/1
Mr. Shi Baodong (<i>former chairman and chief executive officer</i>) (<i>retired on 28 June 2024</i>)	9/10	2/2
Mr. Zhao Huining (<i>retired on 28 June 2024</i>)	7/10	0/2
Ms. Chang Meiqi (<i>retired on 28 June 2024</i>)	10/10	1/2
Mr. Dong Xiaojie (<i>retired on 28 June 2024</i>)	9/10	1/2

CORPORATE GOVERNANCE REPORT

According to Code provision C.5.1 of the Corporate Governance Code, the Company should hold a minimum of four regular Board meetings annually, approximately at quarterly intervals, with active participation from the majority of directors, whether in person or through electronic means of communication. The Board convened seventeen meetings during the Year. These meetings covered but were not limited to various important matters, such as (i) reviewing and approving the audited annual results for the Year and ESG-related matters, (ii) reviewing the unaudited interim results for the six months ended 30 June 2024, (iii) deliberating on the proposed change of the company's name, (iv) assessing the proposal for distribution payment or redemption of the unlisted perpetual convertible securities, (v) considering the potential acquisition of a business in Hong Kong and (vi) discussing the proposed alteration of the board lot size and share consolidation.

In addition, the chairman of the Board held a separate meeting with the independent non-executive Directors during the year ending 31 December 2024 without the presence of other Directors.

The Company held an annual general meeting on 28 June 2024 during the Year. All proposed Shareholders' resolutions put to the above annual general meeting were resolved by poll vote and duly passed.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective risk management and internal control systems of the Group and has established the Group's internal control policies and procedures for monitoring the internal control systems. Such systems are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the Shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, a team, comprising qualified accountants and management of the Company, has been organised to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans periodically and ensures the audit programs cover key internal control areas of key operating subsidiaries for the review by the Audit Committee at regular intervals. The scopes and timing of audit reviews are usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the members of the Audit Committee.

The Audit Committee reviews the findings and recommendations of the IA Team in their meetings held at least twice a year and reports to the Board on such review. In respect of the Year, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

CORPORATE GOVERNANCE REPORT

The Group has formulated an inside information policy and regularly reminds its Directors and employees to comply with all inside information policies. The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The Group will ensure that inside information will be disclosed to the public through public announcements and its website as soon as reasonably practicable pursuant to the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012. Besides, all inside information will be kept strictly confidential before disclosing to the public and only the relevant persons will have access to such information.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system are in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor’s reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor’s Report on pages 60 to 66 of this Annual Report.

AUDITOR’S REMUNERATION

The Group’s consolidated financial statements for the Year was audited by Forvis Mazars, of which the term of office as the Auditor will expire at the forthcoming annual general meeting, and for which it’s eligible to offer themselves for re-appointment.

For the Year, the remuneration paid or payable to Forvis Mazars in respect of statutory annual audit services (i.e. statutory annual audit services) and non-audit services (i.e. non-audit services for the Group’s continuing connected transaction reporting, reviewing preliminary announcement of annual results, and attendance at annual general meeting) is of approximately HK\$1.7 million and HK\$0.03 million respectively.

COMPANY SECRETARY

Ms. Lee On Wing (“Ms. Lee”) has been appointed Company Secretary, with effect from 8 October 2023.

During the Year, Ms. Lee fully complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS AND SENIOR MANAGEMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill, and diligence in pursuit of the group’s development.

The Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group’s businesses and the statutory and regulatory obligations of a director of a listed company.

CORPORATE GOVERNANCE REPORT

Apart from updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional trainings and seminars to develop and refresh their knowledge and skill. During the Year, training had been provided by external professional parties. Further, the Company has continuously provided reading materials and other updated information regarding latest development of the Listing Rules and other applicable regulations to the Directors for their reference and study.

The Company encourages the senior management to improve their professional knowledge by attending the external seminars and participating in the internal trainings provided by the Company.

Resulting from the Non-Compliance and at the request of the Stock Exchange, each of Mr. Shi (former chairman of the Board, executive Director and chief executive officer), Mr. Zhao Huining (former executive Director), Mr. Mo Yueming, Ms. Chang Meiqi (former non-executive Director), Mr. Dong Xiaojie (former independent non-executive Director), Mr. He Qi and Mr. Sui Feng-jih had attended not less than 17 hours' training on regulatory and legal topics and Listing Rule compliance.

AUDIT COMMITTEE

At the end of the Year, the Audit Committee comprises all independent non-executive Directors, namely Mr. Sui Feng-jih (chairman of Audit Committee), Mr. He Qi and Mr. Lin Hua Rong, Harry (appointed on 28 June 2024). Ms. Chang Meiqi retired on non-executive Director and member of Audit Committee on 28 June 2024.

The principal duties of the Audit Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, including review of the Group's financial reporting system and internal control procedures, review of financial information of the Group, review of interim and annual results of the Group, (unless expressly addressed by a separate risk committee or the Board itself) review of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and other duties under the CG Code, and review of the relationship with the Auditor.

The Audit Committee was also delegated by the Board to be responsible for performing the corporate governance duties under the CG Code, which includes developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices being in compliance with the legal and regulatory requirements, and reviewing the Company's compliance with the CG Code.

The Audit Committee held two meetings in the Year in which representatives of the management were present to review the interim and annual results, the interim report and annual report, the continuing connected transactions, and other financial, internal and risk management control and corporate governance matters. The Board has not taken a different view from that of the Audit Committee regarding the selections, appointment, resignation or dismissal of the auditor of the Company. Auditor of the Company was present in one of the meetings.

Name of member of Audit Committee	Number of meetings attended/eligible to attend
Mr. Sui Feng-jih (<i>Chairman</i>)	2/2
Mr. He Qi	2/2
Mr. Lin Hua Rong, Harry (<i>appointed on 28 June 2024</i>)	1/1
Ms. Chang Meiqi (<i>ceased on 28 June 2024</i>)	1/1

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee performs the remuneration function under the CG Code.

At the end of the Year, the Remuneration Committee comprises one executive Director, Mr. Mo Yueming, and two independent non-executive Directors, namely Mr. Lin Hua Rong, Harry (chairman of the Remuneration Committee) and Mr. Swei Feng-jih.

On 28 June 2024, Mr. Shi ceased as a member of the Remuneration Committee, and Mr. Dong Xiaojie ceased as chairman of the Remuneration Committee. Concurrently, Mr. Lin Hua Rong, Harry was appointed the chairman of the Remuneration Committee on the same day. Additionally, on the same day, Mr. Mo Yueming was appointed as a member of the Remuneration Committee.

The principal duties of the Remuneration Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, which include determining the policy for the remuneration of executive Directors, assessing performance of executive Directors, approving the terms of executive Directors' service contracts, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and reviewing and/or approving matters relating to share schemes (if any) under Chapter 17 of the Listing Rules.

The Remuneration Committee held three meetings in the Year and the attendance record is set out below:

Name of member of Remuneration Committee	Number of meetings attended/ eligible to attend
Mr. Lin Hua Rong, Harry (<i>Chairman</i>) (<i>appointed on 28 June 2024</i>)	1/1
Mr. Swei Feng-jih	3/3
Mr. Mo Yueming (<i>appointed on 28 June 2024</i>)	0/1
Mr. Shi Baodong (<i>ceased on 28 June 2024</i>)	2/2
Mr. Dong Xiaojie (<i>Chairman</i>) (<i>ceased on 28 June 2024</i>)	2/2

The work performed by the Remuneration Committee during the Year included the following:

- (i) reviewed the policies for the remuneration of executive Directors and senior management, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual executive Director and senior management with reference to the Company's performance and profitability, as well as industry practice;
- (ii) reviewed and recommended the remuneration package of the Directors and the senior management of the Company; and
- (iii) approved the terms of the independent non-executive Directors services contracts.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

At the end of the Year, Nomination Committee comprises of one executive Director, Mr. Mo Yueming (chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. He Qi and Mr. Sui Feng-jih.

Mr. Shi ceased to be the chairman of the Nomination Committee of the Board on 28 June 2024. Concurrently, Mr. Mo Yueming assumed the position of chairman of the Nomination Committee on the same day, succeeding Mr. Shi in this capacity.

The principal duties of the Nomination Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, which include reviewing the structure and composition of the Board, identification of suitably qualified Board candidates, and determining the policy for the nomination of the Directors.

The Nomination Committee held three meetings in the Year and the attendance record is set out below:

Name of member of Nomination Committee	Number of meetings attended/ eligible to attend
Mr. Mo Yueming (<i>Chairman</i>) (<i>appointed on 28 June 2024</i>)	0/1
Mr. He Qi	3/3
Mr. Sui Feng-jih	3/3
Mr. Shi Baodong (<i>Chairman</i>) (<i>ceased on 28 June 2024</i>)	2/2

The work performed by the Nomination Committee during the year included the following:

- (i) to review the structure, size and composition of the Board (including without limitation, professional experience, skills, knowledge and length of services); and
- (ii) to assess the independence of independent non-executive Directors and made recommendations to the Board on the reappointment of the Directors.

SHAREHOLDERS' RIGHTS

Communications with Shareholders

The Board recognises that maintaining clear, timely and effective communication with Shareholders and prospective investors can enhance the effective communication between the Company and Shareholders. Corporate information is communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meeting ("AGM") and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are available on the website of the Company. The Company's website provides Shareholders with the corporate information of the Group.

AGM allows the Directors to meet and communicate with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor also attend the AGMs to answer questions from Shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. Pursuant to Article 73 of the Articles of Association, notices of AGMs are distributed to all Shareholders at least 21 days prior to the respective AGMs. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

The Board has reviewed the implementation and effectiveness of shareholders communication policy and procedures, such as measures taken at general meetings and inquiries received, and considers the shareholders communication policy's implementation effective during the Year.

Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the Company's share registrar and transfer office in Hong Kong, in case of enquiries about their respective shareholdings in the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's registered office in Hong Kong at Room B03, 29/F., Tower 1 Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. Shareholders may also send such enquiries and concerns to ir@gangyu.com.hk, an email specifically set up by the Company for investor communications.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to convene an extraordinary general meeting and put forward proposals at Shareholders' meeting

The Articles of Association set out the procedures for the Shareholders to convene general meetings, move a resolution at general meetings and propose a person for election as a Director, which are available at the Company's corporate website www.gycsfw.com.cn.

Pursuant to Article 72 of the Articles of Association, an extraordinary general meeting of the Company ("EGM(s)") shall be convened on the written requisition of any one or more Shareholder, who is a recognised clearing house (or its nominee), or any two or more Shareholders holding, at the date of deposit of the written requisition at the principal office of the Company in Hong Kong, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such a meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed with convening such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

ANTI-CORRUPTION

The Group is committed to conducting business honestly, ethically and with integrity. In general, the Group adhere to a strict code of conduct that includes provisions for bribery, extortion, fraud and money laundering. All forms of bribery, corruption and extortion are strictly prohibited in the Group. Employees are also prohibited from advising or dealing in any transactions that may give rise to potential conflicts of interest. The Group's senior management regularly monitor changes in regulations and best practices to ensure the continued effectiveness of the code of conduct.

Intending to enhance anti-corruption awareness within the organisation, the Group has adopted various measures to further incorporate anti-corruption principles into its corporate culture, including arranging anti-corruption training to its directors and management-level employees to share knowledge on proper conduct, anti-corruption best practices and prevention of unethical behaviour.

WHISTLE-BLOWING POLICY

The Group has implemented a robust whistle-blowing policy as part of its commitment to upholding business ethics and integrity, with a specific focus on preventing suspected corruption, extortion, and money laundering. To ensure effective reporting of such incidents, the Group provides dedicated reporting channels, including email at accchairman@gangyu.com.hk, for employees or stakeholders of the Group to report any suspected cases of corruption confidentially. Employees are strongly encouraged to utilise these channels and promptly report any relevant concerns.

Upon receiving a report, the chairman of the Audit Committee assumes responsibility for handling the complaint and conducting a thorough investigation. The chairman of the Audit Committee ensures that the entire process is carried out with the utmost confidentiality to protect the identity of the reporting individual(s). If deemed necessary, the case may be escalated to all Board members for further examination and decision-making, ensuring appropriate actions are taken to address the reported concerns.

CORPORATE GOVERNANCE REPORT

Furthermore, the chairman of the Audit Committee is responsible for periodically providing reports on the complaints received and the status of the follow-up actions to be taken. This ensures transparency and accountability throughout the process, demonstrating the Group's commitment to addressing potential wrongdoing and maintaining a culture of ethical conduct. The implementation and effectiveness of the whistle-blowing policy will be monitored and reviewed regularly by the Audit Committee.

CONSTITUTIONAL DOCUMENTS

On 16 May 2024, the Board proposed to adopt a new memorandum and articles of association of the Company (the "M&A") in order to, among other things, (i) bringing the M&A in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the mandatory electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect on 31 December 2023; and (ii) incorporating certain consequential and housekeeping amendments. Details of the amendments are set out in the circular of the Company dated 21 May 2024. The new amended and restated M&A were adopted by a special resolution passed at the annual general meeting of the Company held on 28 June 2024. An up-to-date version of the amended and restated M&A (i.e. the Third Amended and Restated M&A) is available on the respective websites of the Stock Exchange and the Company.

Saved as disclosed above, no other changes were made to the constitutional documents of the Company during the Year.

CHANGE OF COMPANY NAME, STOCK SHORT NAME AND ADOPTION OF NEW COMPANY LOGO

With effect from 10 July 2024, the English name of the Company has been changed from "Orient Victory Smart Urban Services Holding Limited" to "Gangyu Smart Urban Services Holding Limited" and the Company has adopted "港譽智慧城市服務控股有限公司" as the Chinese name of the Company in place of its existing Chinese name of "東勝智慧城市服務控股有限公司". The stock short name of the Shares for trading on the Stock Exchange has been changed from "OV SERVICES" to "GANGYU SERVICES" in English and from "東勝智慧城市服務" to "港譽智慧城市服務" in Chinese with effect from 9:00 a.m. on 21 August 2024. The stock code of the Company remains as "265".

With effect from 14 August 2024, the Company has adopted a new logo which will be printed on the relevant corporate documents of the Company, including but not limited to the Company's promotional materials, interim and annual reports, announcements, circulars and corporate stationary.

EFFECT OF THE CHANGE OF COMPANY WEBSITE AND EMAIL

With effect from 21 August 2024, the Company's website has been changed from "www.orientvictory.com.hk" to "www.gycsfw.com.cn" and the Company's email has been changed from "ovchina@orientvictory.com.cn" to "ir@gangyu.com.hk".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group is issued simultaneously with this Annual Report, which is available only on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT



FORVIS MAZARS CPA LIMITED

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Tel: (852) 2909 5555
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Opinion

We have audited the consolidated financial statements of Gangyu Smart Urban Services Holding Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 67 to 145, which comprise the consolidated statement of financial position as at 31 December 2024, and 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 statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

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

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 for the current year. 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.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p><i>Refer to principal accounting policies in note 2 and the disclosure of investment properties in note 14 to the consolidated financial statements.</i></p> <p>The Group's investment properties measured at fair value amounted to approximately HK\$75,984,000 as at 31 December 2024. The fair values were determined with reference to the valuation carried out by an independent professional valuer engaged by the management.</p> <p>We have identified this matter to be a key audit matter because the amount is significant and the valuation of investment properties involved significant judgements and estimates including the determination of valuation techniques and the selection of input data used in the valuation models.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none"> – Obtaining and reviewing the valuation reports prepared by the independent professional valuers engaged by the management; – Evaluating the competence, capabilities and objectivity of the independent professional valuer; – Discussing with the independent professional valuer to understand the valuation methodologies and key estimate and assumptions adopted; – Assessing the reasonableness of the significant assumptions adopted in the valuation; – Checking the accuracy and relevance of the key inputs used in the valuation; and – Challenging the judgement and estimates made by management and the valuer regarding the factors considered during the assessment.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (*continued*)

Key audit matter	How our audit addressed the key audit matter
Loss allowance for expected credit losses ("ECL") on amount due from an associate	
<i>Refer to principal accounting policies in note 2 and the disclosure of amount due from an associate in note 18 to the consolidated financial statements.</i>	
As at 31 December 2024, the Group recorded the amount due from an associate of approximately HK\$56,185,000.	Our key procedures, among others, included:
We considered this matter to be a key audit matter because of the assessment of loss allowances for amount due from the associate requires significant judgement and estimates by the management.	<ul style="list-style-type: none">– Obtaining an understanding of and evaluating the Group's credit policies;– Assessing management's judgement over the ECL and creditworthiness of the associate by assessing the available information, such as financial information, past collection history, concentration risk, the Group's actual loss experience, subsequent settlement and ageing analysis of the associate, adjusted for forward-looking factors specific to the associate and the economic environment; and– Challenging the critical judgements made by management regarding the factors considered during the ECL assessment.

Key Audit Matters (*continued*)

Key audit matter	How our audit addressed the key audit matter
ECL on trade receivables and contract assets	
<i>Refer to principal accounting policies in note 2 and the disclosure of trade receivables and contract assets in note 20 and note 34 to the consolidated financial statements.</i>	
<p>As at 31 December 2024, the Group recorded the gross amount of trade receivables and contract assets of approximately HK\$169,907,000 and HK\$16,860,000 respectively. Loss allowance amounting to approximately HK\$11,440,000 and HK\$6,000 has been provided on the relevant trade receivables and contract assets respectively.</p> <p>The ECL on trade receivables and contract assets is assessed with reference to valuations carried out by an independent professional valuer engaged by the management.</p> <p>We considered this matter to be a key audit matter because of the assessment of loss allowances for trade receivables and contract assets requires the management's use of judgement and estimates.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of and evaluating the Group's credit policies; - Assessing, on a sample basis, management's judgement over the ECL and creditworthiness of the customers by assessing the available information, such as background information of the customers, past collection history of customers, concentration risk, the Group's actual loss experience, subsequent settlement and ageing analysis of the trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment; - Evaluating the competence, capabilities and objectivity of the independent professional valuer; - Discussing with the independent professional valuer to understand the valuation methodologies and key estimates and assumptions adopted; - Assessing the reasonableness of the significant assumptions adopted in the valuation; - Checking the accuracy and relevance of the key inputs, on a sample basis, used in the valuation; - Challenging the judgement and estimates made by the management and the independent professional valuer regarding the factors considered during the assessment; and - Obtaining the valuation reports to assess the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the independent professional valuer.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

We communicate with the 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 and 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.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 26 March 2025

The engagement director on the audit resulting in this independent auditor's report is:

Fung Shiu Hang

Practising Certificate number: P04793

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	3	345,912	342,371
Cost of sales and services		(248,656)	(257,190)
Gross profit		97,256	85,181
Other income	5	12,825	6,496
Selling, general and administrative expenses		(48,392)	(51,745)
Share of results of an associate	18	(1,567)	(2,013)
Fair value changes on investment properties	14	(4,891)	(5,564)
Gain on disposal of a subsidiary		–	11,882
Finance costs	6	(2,185)	(2,514)
Profit before taxation	7	53,046	41,723
Income tax	8	(4,168)	(3,754)
Profit for the year		48,878	37,969
Attributable to:			
Equity holders of the Company		49,114	33,499
Non-controlling interests		(236)	4,470
Profit for the year		48,878	37,969
			(Restated)
Basic and diluted earnings per share	11	HK11.66 cents	HK8.24 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 HK\$'000	2023 HK\$'000
Profit for the year		48,878	37,969
Other comprehensive (loss) income			
<i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i>			
– exchange differences on translation of foreign operations		(15,909)	(17,718)
– release of exchange reserve upon disposal of a subsidiary		–	(171)
– exchange difference on translation of share of other comprehensive income of an associate	18	(802)	(711)
		(16,711)	(18,600)
Total comprehensive income for the year		32,167	19,369
Attributable to:			
Equity holders of the Company		33,003	15,381
Non-controlling interests		(836)	3,988
Total comprehensive income for the year		32,167	19,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Goodwill	12	–	–
Property, plant and equipment	13	114,348	136,179
Investment properties	14	75,984	74,783
Right-of-use assets	15	25,585	25,142
Intangible assets	16	78	157
Investment in an associate	18	22,686	25,055
Prepayments, deposits and other receivables	21	–	26,200
Deferred tax assets	26	4,933	2,650
		243,614	290,166
Current assets			
Inventories	19	15,059	15,330
Trade receivables	20	158,467	90,362
Contract assets	20	16,854	41,826
Amount due from an associate	18	56,185	63,802
Prepayments, deposits and other receivables	21	54,114	41,093
Time deposits with original maturity over three months	22	–	70,784
Cash and cash equivalents	22	86,350	201,373
		387,029	524,570
Current liabilities			
Trade payables	23	32,570	30,071
Contract liabilities	23	29,683	26,820
Other payables	23	62,964	65,616
Tax payable		15,171	9,460
Lease liabilities	24	9,047	7,933
		149,435	139,900
Net current assets		237,594	384,670
Total assets less current liabilities		481,208	674,836
Non-current liabilities			
Lease liabilities	24	37,313	41,284
Deferred tax liabilities	26	10,344	11,416
		47,657	52,700
NET ASSETS		433,551	622,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	27	64,610	64,610
Perpetual convertible securities	28	55,668	296,274
Reserves	29	207,262	233,931
Equity attributable to equity holders of the Company		327,540	594,815
Perpetual bonds	30	80,000	–
Non-controlling interests	17	26,011	27,321
TOTAL EQUITY		433,551	622,136

The consolidated financial statements on pages 67 to 145 were approved and authorised for issue by the Board of Directors on 26 March 2025 and signed on its behalf by:

Mo Yueming
Chairman

Xue Fei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Company							
	Reserves							Total equity HK\$'000
	Share capital HK\$'000 (Note 27)	Share premium HK\$'000 (Note 29)	Perpetual convertible securities HK\$'000 (Note 28)	Exchange reserve HK\$'000 (Note 29)	Other reserve HK\$'000 (Note 29)	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2023	64,610	635,756	296,274	(22,032)	(2,760)	(382,692)	17,127	606,283
Profit for the year	-	-	-	-	-	33,499	4,470	37,969
Other comprehensive loss								
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>								
Exchange differences on translation of foreign operations	-	-	-	(17,236)	-	-	(482)	(17,718)
Release of exchange reserve upon disposal of a subsidiary	-	-	-	(171)	-	-	-	(171)
Exchange difference on translation of share of other comprehensive income of an associate	-	-	-	(711)	-	-	-	(711)
Total comprehensive income (loss) for the year	-	-	-	(18,118)	-	-	(482)	(18,600)
Transactions with owners:								
<i>Contribution and distribution</i>								
Dividend paid to non-controlling interests	-	-	-	-	-	-	(828)	(828)
Distribution to holders of perpetual convertible securities	-	-	-	-	-	(10,037)	-	(10,037)
Equity-settled share-based transactions (Note 25)	-	315	-	-	-	-	-	315
Changes in ownership interests	-	315	-	-	-	(10,037)	(828)	(10,550)
<i>Disposal of a subsidiary</i>	-	-	-	-	-	-	7,034	7,034
At 31 December 2023	64,610	636,071	296,274	(40,150)	(2,760)	(359,230)	27,321	622,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Company							
	Reserves							Non-controlling interests HK\$'000
	Share capital HK\$'000 (Note 27)	Share premium HK\$'000 (Note 29)	Perpetual convertible securities HK\$'000 (Note 28)	Exchange reserve HK\$'000 (Note 29)	Other reverse HK\$'000 (Note 29)	Accumulated losses HK\$'000	Total HK\$'000 (Note 30)	
At 1 January 2024	64,610	636,071	296,274	(40,150)	(2,760)	(359,230)	594,815	27,321
Profit for the year	-	-	-	-	-	49,114	49,114	(236)
Other comprehensive loss								
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>								
Exchange differences on translation of foreign operations	-	-	-	(15,309)	-	-	(15,309)	(600)
Exchange difference on translation of share of other comprehensive income of an associate	-	-	-	(802)	-	-	(802)	-
	-	-	-	(16,111)	-	-	(16,111)	(600)
Total comprehensive income (loss) for the year	-	-	-	(16,111)	-	49,114	33,003	(836)
Transactions with owners:								
<i>Contribution and distribution</i>								
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(474)
Distribution to holders of perpetual convertible securities	-	-	-	-	-	(35,782)	(35,782)	-
Equity-settled share-based transactions (Note 25)	-	73	-	-	-	-	73	-
Issuance of perpetual bonds (Note 30)	-	-	-	-	-	-	-	-
Redemption of Perpetual convertible securities (Note 28)	-	-	(240,606)	-	-	(23,963)	(264,569)	-
	-	73	(240,606)	-	-	(59,745)	(300,278)	(474)
At 31 December 2024	64,610	636,144	55,668	(56,261)	(2,760)	(369,861)	327,540	26,011
							80,000	433,551

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		53,046	41,723
Adjustments for:			
Fair value change on investment properties	14	4,891	5,564
Compensation income	21	(2,742)	–
Depreciation and amortisation			
– property, plant and equipment	13	21,242	26,437
– right-of-use assets	15	1,595	2,110
– intangible assets	16	16	32
Provision for (Reversal of) loss allowance			
– trade receivables	7	1,814	653
– contract assets	7	(1,049)	1,074
Interest income	5	(6,751)	(3,390)
Finance costs	6	2,185	2,514
Share of results of an associate	18	1,567	2,013
Provision for (Reversal of) bad debt of other receivables	7	136	(3,204)
Loss on disposal of investment properties and lease liabilities, net	7	–	39
Gain on disposal of interest in a subsidiary		–	(11,882)
Write back of provision	5	–	(1,290)
Write-off of property, plant and equipment	7	25	–
Equity-settled share-based payment expenses	25	73	315
Operating cash flows before changes in working capital		76,048	62,708
Changes in working capital:			
Inventories		(238)	(195)
Trade receivables		(74,354)	(27,173)
Contract assets		25,131	(43,103)
Prepayments, deposits and other receivables		11,093	25,761
Time deposits with original maturity over three months		70,784	(70,784)
Trade payables		3,560	(14,374)
Contract liabilities		3,823	6,163
Other payables		(505)	21,406
Net cash generated from (used in) operations		115,342	(39,591)
Income tax paid		(1,740)	(576)
Interest received		6,751	3,390
Net cash generated from (used in) operating activities		120,353	(36,777)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,082)	(8,772)
Net cash inflow on disposal of a subsidiary		–	1,071
Repayment from an associate		5,632	71,232
Net cash generated from investing activities		3,550	63,531
FINANCING ACTIVITIES			
Dividend paid to a non-controlling shareholder		(474)	(621)
Distributions paid to holders of perpetual convertible securities	28	(35,782)	(10,037)
Repayment of lease liabilities		(11,762)	(7,945)
Redemption of perpetual convertible securities	28	(184,267)	–
Interest paid		(2,161)	(2,463)
Net cash used in financing activities		(234,446)	(21,066)
Net (decrease) increase in cash and cash equivalents		(110,543)	5,688
Cash and cash equivalents at the beginning of the reporting period		201,373	205,857
Effect of foreign exchange rate changes		(4,480)	(10,172)
Cash and cash equivalents at the end of the reporting period	22	86,350	201,373

Major non-cash transactions

- The Company entered into rental agreements in respect of its leased properties under operating leases. During the year, the Company had non-cash additions to right-of-use assets and lease liabilities of HK\$2,728,000, in respect of lease arrangements for leased properties.
- The Company entered into rental agreements in respect of its leased properties under operating leases. During the year, the Company had non-cash additions to investment properties and lease liabilities of HK\$5,886,000, in respect of lease arrangements for leased properties.
- During the year, the Group received 3 commercial properties, amounted to HK\$ 2,742,000, located in Shijiazhuang City, Hebei Province, the PRC as compensation. All commercial properties are recognised as investment properties and have been leased out for rental income for the year ended 31 December 2024. Please refer to note 21 for more details.
- Other than disclosed above and in note 28 to the consolidated financial statements, the Group had no other major non-cash transaction during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL

Gangyu Smart Urban Services Holding Limited (the “Company”) is an exempted limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on 10 July 2024 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 1 August 2024, the name of the Company was changed from Orient Victory Smart Urban Services Holding Limited to Gangyu Smart Urban Services Holding Limited with effect from 10 July 2024.

The address of the registered office and principal place of business of the Company are disclosed in the “Corporation Information” section of the annual report.

The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 17 to the consolidated financial statements. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Orient Victory Real Estate Group Holdings Limited, which is incorporated in the British Virgin Islands (the “BVI”) and is wholly owned by Mr. Shi Baodong (“Mr. Shi”), the controlling shareholder, a former executive director and former chief executive officer, of the Company.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”), except for the subsidiaries established in People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Adoption of new/revised HKFRSs

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This interpretation is revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants to align the corresponding wordings with no change in conclusion.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below:

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for investment properties that are measured at fair values as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis other types of non-controlling interests are initially measured at fair value, unless another measurement basis is recognised by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

A discontinued operation is a component of the Group, 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, or is part of a single coordinated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Basis of consolidation (*continued*)

Changes in ownership interest (continued)

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

- (i) the post-tax profit or loss of the discontinued operation; and
- (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Business combination and Goodwill

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree (if applicable) and the fair value of any previously held equity interests in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately.

Buildings	2.5% to 5%
Furniture and leasehold improvements	10% to 25%, or over the lease term, whichever is shorter
Machinery and equipment	9.5% to 30%
Motor vehicles	9.5% to 33.33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Investment properties

Investment properties are land and/or building that are held by owner to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property and are carried at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions, and is adjusted for separately recognised assets or liabilities to avoid double-counting assets or liabilities.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

If an item of investment property becomes owner-occupied property for the Group's own use, the Group accounts for such property in accordance with the accounting policy stated under "Investment properties" up to the date of change in use. At the date of transfer, the properties are stated at fair value with difference recognised in the profit or loss and are subsequently stated at cost less accumulated depreciation and accumulated impairment losses under property, plant and equipment.

Intangible assets

Travel licenses and others

The initial cost of acquiring travel licenses and others is capitalised. Travel licenses and others with indefinite useful lives are carried at cost less accumulated impairment losses. Travel licenses and others with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives ranging from 1 to 2 years.

Computer software

The initial cost of acquiring computer software is capitalised. Computer software with indefinite useful lives are carried at cost less accumulated impairment losses. Computer software with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives ranging from 3 to 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Land use rights

Land use right are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss, which are accounted for as right-of-use assets.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) Designated FVOCI; or (iv) measured at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Financial instruments (*continued*)

Financial assets (continued)

Classification and measurement (continued)

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (a) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, contract assets, amount due from an associate and cash and cash equivalents.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and lease liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES(*continued*)

Financial instruments (*continued*)

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses (“ECL”) on financial assets that are measured at amortised cost and lease receivables to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (a) past due information
- (b) nature of instrument
- (c) nature of collateral
- (d) industry of debtor
- (e) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument’s credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Financial instruments (*continued*)

Impairment of financial assets and other items (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria:

- (a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (b) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Financial instruments (*continued*)

Impairment of financial assets and other items (continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

- (a) it has a low risk of default;
- (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

As detailed in note 34(a) to the consolidated financial statements, cash and cash equivalents is determined to have low credit risk.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Financial instruments (*continued*)

Impairment of financial assets and other items (continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

Rental income

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs. Lease income from lease of hotel room is recognised as income over the lease period.

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- Provision of property management services
- Provision of environmental hygiene services
- Provision of marketing, event planning and consulting services
- Provision of sales of related tourism products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Revenue recognition (*continued*)

Revenue from contracts with customers within HKFRS 15 (continued)

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Revenue recognition (*continued*)

Revenue from contracts with customers within HKFRS 15 (*continued*)

*Timing of revenue recognition (*continued*)*

Revenue is recognised on the following basis:

- Provision of sales of related tourism products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed; and
- Service income from the provision of property management services/environmental hygiene services and marketing, event planning and consulting services are recognised as income over time when the relevant transactions have been arranged or the relevant services have been rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For certain services provided by the Group, in accordance with the underlying service agreements which negotiated on a case-by-case basis with customer, the Group may receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of HK\$, which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.
- Income and expenses for each statement of comprehensive income are translated at average exchange rate.
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Foreign currency translation (Continued)

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.
- On all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined with reference to sale proceeds received after the reporting period less estimated costs of completion and costs to be incurred in selling the properties.

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, land use rights, right-of-use assets, investment in an associate and subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Borrowings costs

Borrowings costs which are directly attributable to the acquisition, construction and production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan and the proceeds received.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentive received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

As lessee (continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful life of the right-of-use asset as follows:

Land use rights	40 years
Office premises	2–3 years
Motor vehicles	3 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments including in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

As lessee (*continued*)

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Group determines the lease term the modified contract.
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full elimination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Leases (*continued*)

As lessor – operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to a defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Overseas subsidiaries (including Hong Kong) also operate pension schemes or similar arrangements for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised as expenses immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

For the purpose of measuring deferred tax assets or liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

Related parties

A related party is a person or entity that is related to the Group.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Related parties (*continued*)

(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 holding company, 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 entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 holding company 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.

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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Critical accounting estimates and judgements (*continued*)

Valuation of investment properties

The Group's investment properties are stated at fair value based on the valuation carried out by an independent professional valuer by adopting the income approach by reference of current existing tenancy and potential reversionary rental income at market level.

In determining the fair value of investment properties, the valuer has based on a method of valuation which involves, inter alia, achievable daily unit rent of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions as at the end of the reporting period. Particulars of the investment properties of the Group are set out in note 14 to the consolidated financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets. Details of the key assumptions and inputs used in estimating ECL are set out in note 34(a) to the consolidated financial statements.

Impairment of investments

The Group assesses annually if investments in subsidiaries and an associate have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment, land use rights and right-of-use assets at the end of each reporting period in accordance with the accounting policies as disclosed in note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Critical accounting estimates and judgements (*continued*)

Key sources of estimation uncertainty

Fair value measurements and valuation processes

Certain of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, management of the Group uses market-observable data to the extent available. Where Level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. At the end of the reporting period, management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. Management of the Group first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, management of the Group would adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations are reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets and liabilities are disclosed in notes 35 to consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 21	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Annual Improvements to HKFRSs	Volume 11 ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. REVENUE

Revenue represents the consideration received or expected to be received in respect of the transfer of goods and services in accordance with HKFRS 15 and rental income derived from the leasing services, which is recognised under the scope of HKFRS 16. The amount of each significant category of revenue recognised during the year is as follows:

	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers within HKFRS 15, recognised over time:		
At fixed price		
– Property management service	181,650	158,461
– Marketing, event planning and consulting services	–	992
– Tourism attractions related income	5,922	8,276
	187,572	167,729
At variable price		
– Environmental hygiene services	129,643	147,357
	317,215	315,086
Revenue from other sources:		
– Rental income	28,697	27,285
	345,912	342,371

Disaggregation of revenue from contracts with customers within HKFRS 15 are shown in segment disclosures in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. SEGMENT REPORTING

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered by each operating division.

The Group's operating divisions are as follows:

- The property management segment, which involves the provision of property management and leasing services for residential and commercial properties in the PRC.
- The environmental hygiene segment, which involves the provision of environmental hygiene services for urban and rural areas in the PRC.
- The integrated development segment, which involves the development and operation of tourism and cultural attractions and the provision of marketing, event planning and consulting services in the PRC.
- The diversified tourism products and services segment, which comprises the provision of travel related and other services principally to corporate clients in the PRC.

Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit (loss) before tax. The adjusted profit (loss) before tax is measured consistently with the Group's profit (loss) before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents, time deposits with original maturity over three months and head office and corporate assets and liabilities, which are managed centrally.

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 2024 and 2023 is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. SEGMENT REPORTING (*continued*)

(a) By business segment

Segment results

	Property management		Environmental hygiene		Integrated development		Diversified tourism products and services		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregated by timing of revenue recognition:										
– Over time	181,650	158,461	129,643	147,357	5,922	9,268	–	–	317,215	315,086
Rental income	28,697	27,285	–	–	–	–	–	–	28,697	27,285
Reportable segment revenue	210,347	185,746	129,643	147,357	5,922	9,268	–	–	345,912	342,371
Segment results	37,980	41,043	26,712	8,412	(3,548)	(5,543)	80	14,527	61,224	58,439
Corporate and other unallocated income and expenses, net									(5,993)	(14,202)
Finance costs									(2,185)	(2,514)
Profit before taxation									53,046	41,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. SEGMENT REPORTING (*continued*)

(a) By business segment (*continued*)

Segment assets and liabilities

	Property management		Environmental hygiene		Integrated development		Diversified tourism products and services		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	180,284	158,415	160,792	149,598	197,203	228,532	1,595	4,005	539,874	540,550
Corporate and other unallocated assets									90,769	274,186
Total assets									630,643	814,736
Segment liabilities	125,112	114,406	41,816	47,033	24,199	27,210	605	936	191,732	189,585
Corporate and other unallocated liabilities									5,360	3,015
Total liabilities									197,092	192,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. SEGMENT REPORTING (*continued*)

(a) By business segment (*continued*)

Other segment information

	Property management		Environmental hygiene		Integrated development		Diversified tourism products and services		Corporate and other unallocated items		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation and depreciation	1,128	607	16,098	23,742	5,202	3,581	46	79	379	570	22,853	28,579
Capital expenditure	8,969	2,586	1,134	6,141	182	45	-	-	3,153	-	13,438	8,772
Fair value changes in investment properties	(4,891)	(5,564)	-	-	-	-	-	-	-	-	(4,891)	(5,564)
Loss on disposal of investment properties and lease liabilities, net	-	39	-	-	-	-	-	-	-	-	-	39
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	11,882	-	-	-	11,882
Share of results of an associate	-	-	-	-	(1,567)	(2,013)	-	-	-	-	(1,567)	(2,013)
Provision for (Reversal of) bad debt of other receivables, recognised in selling, general and administrative expenses	-	262	-	-	136	131	-	(3,289)	-	(308)	136	(3,204)
Provision for (Reversal of) loss allowance on trade receivables, recognized in selling, general and administrative expenses	4,860	1,113	(667)	206	(1,684)	(314)	(695)	(352)	-	-	1,814	653
(Reversal of) Provision of loss allowance on contract assets, recognized in selling, general and administrative expenses	-	-	(1,049)	1,074	-	-	-	-	-	-	(1,049)	1,074
Direct operating expenses arising from investment properties that generated rental income	2,433	1,833	-	-	-	-	-	-	-	-	2,433	1,833
Write-off of property, plant and equipment	-	-	25	-	-	-	-	-	-	-	25	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. SEGMENT INFORMATION (*continued*)

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets (excluding investment in an associate and deferred tax assets). The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations.

	Revenue from external customers		Non-current assets	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	4,234	1,460
Mainland China	345,912	342,371	211,761	261,001
	345,912	342,371	215,995	262,461

(c) Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2024	2023
	HK\$'000	HK\$'000
Customer A (Note)	39,288	48,960
Customer B	79,178	75,997

Note: It represented the revenue generated from related companies controlled by Mr. Shi and Orient Victory Property Development Group Co., Ltd., which is 95%-owned by Mr. Shi, under the property management segment (2023: property management and the integrated development segment).

5. OTHER INCOME

	2024	2023
	HK\$'000	HK\$'000
Compensation income (Note 21)	2,742	–
Interest income	6,751	3,390
Government subsidies	139	836
Penalty income (Note 21)	2,269	–
Write back of provision	–	1,290
Sundry income	924	980
	12,825	6,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on lease liabilities	2,161	2,463
Interest on other borrowings	–	51
Other interest expenses	24	–
	2,185	2,514

7. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2024 HK\$'000	2023 HK\$'000
Staff costs, including directors' emoluments		
Wages, salaries and other benefits	86,952	86,447
Contribution to defined contribution scheme	11,745	12,211
Equity-settled share-based payment expenses	73	315
	98,770	98,973
Other items		
Auditors' remuneration:		
– audit services	1,700	1,341
– non-audit services	32	190
Amortisation of intangible assets included in selling, general and administrative expenses	16	32
Depreciation included in costs of services and selling, general and administrative expenses (as appropriate):		
– property, plant and equipment	21,242	26,437
– right-of-use assets	1,595	2,110
Cost of inventories sold	51	88
Provision for (Reversal of) loss allowance		
– trade receivables	1,814	653
– contract assets	(1,049)	1,074
Loss on disposal of investment properties and lease liabilities, net	–	39
Write-off of property, plant and equipment	25	–
Direct operating expenses arising from investment properties that generated rental income	2,433	1,833
Provision for (Reversal of) bad debt of other receivables	136	(3,204)
Exchange gain, net	(1,766)	(262)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. TAXATION

For the year ended 31 December 2024 and 2023, PRC Enterprise Income Tax (“EIT”) for small and micro enterprise has been provided at the rate of 5% on the estimated assessable profits arising from the PRC. Other than EIT for in respect of small and micro enterprise, EIT operations in Mainland China is calculated at a rate 25% (2023: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

For the years ended 31 December 2024 and 2023, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong for both years.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiaries of the Group incorporated in the Cayman Islands and the BVI are not subject to any income tax in the Cayman Islands and the BVI.

	2024 HK\$'000	2023 HK\$'000
Current tax – EIT		
Current year	10,368	5,376
Overprovision in prior year	(1,737)	–
Deferred tax		
Reversal of tax losses and temporary differences (Note 26)	(4,463)	(1,622)
	4,168	3,754

Further details of the deferred taxation status are set out in note 26 to the consolidated financial statements.

Reconciliation of income tax expenses

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	53,046	41,723
Tax calculated at applicable tax rate	15,271	13,098
Non-deductible expenses	187	103
Non-taxable income	(1,400)	(2,792)
Tax effect of share of results of an associate	391	503
Overprovision in prior year	(1,737)	–
Utilisation of previously unrecognised tax losses and temporary differences	(8,544)	(7,158)
Income tax expenses for the year	4,168	3,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of remuneration paid or payables to each director of the Company are as follows:

	2024			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors				
Mr. Mo Yueming (<i>Chairman</i>)	150	–	–	150
Mr. Xue Fei (appointed on 28 June 2024)	–	82	2	84
Ms. Hao Ying (appointed on 28 June 2024)	–	–	–	–
Mr. Shi (retired on 28 June 2024)	1,483	–	9	1,492
Mr. Zhao Huining (retired on 28 June 2024)	–	–	–	–
Non-executive director				
Ms. Chang Meiqi (retired on 28 June 2024)	–	–	–	–
Independent non-executive directors				
Mr. He Qi	150	–	–	150
Mr. Sui Feng-jih	150	–	–	150
Mr. Lin Hua Rong, Harry (appointed on 28 June 2024)	75	–	–	75
Mr. Dong Xiaojie (retired on 28 June 2024)	75	–	–	75
	2,083	82	11	2,176

	2023			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors				
Mr. Shi (<i>Chairman</i>)	3,000	–	18	3,018
Mr. Zhao Huining	–	–	–	–
Mr. Mo Yueming	–	–	–	–
Non-executive director				
Ms. Chang Meiqi	–	–	–	–
Independent non-executive directors				
Mr. Dong Xiaojie	150	–	–	150
Mr. He Qi	150	–	–	150
Mr. Sui Feng-jih	150	–	–	150
	3,450	–	18	3,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

There were no arrangements under which a director waived or agreed to waive any emoluments for both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2023: HK\$nil).

(i) Loans, quasi-loans and other dealings in favour of directors

Other than disclosed at note 18 to the consolidated financial statements, there are no other loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the year ended 31 December 2024 (2023: HK\$nil).

(ii) Directors' material interests in transactions, arrangements or contracts

Other than disclosed at notes 18, 20, 21, 25, 29 and 33 to the consolidated financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024 (2023: HK\$nil).

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2023: one) is director whose emolument is disclosed above. The aggregate of the emoluments in respect of the remaining four (2023: four) highest paid individuals, who are not directors, are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and other benefits	2,914	3,117
Retirement benefits scheme contributions	72	47
	2,986	3,164

The emoluments of the four (2023: four) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2024	2023
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	–	1

There were no arrangements under which any of the four (2023: four) highest paid individuals waived or agreed to waive any remuneration during the year (2023: HK\$nil). In addition, no remuneration was paid by the Group to any of the four (2023: four) highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2023: HK\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. DIVIDEND

The Board of Directors of the Company does not recommend the payment of a final dividend for the years ended 31 December 2024 and 2023.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share of the Company is based on the following data:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Profit attributable to the equity holders of the Company	49,114	33,499
Distributions paid to the holders of perpetual convertible securities	(18,982)	(10,037)
Accrued distributions to the holders of perpetual convertible securities	-	(2,100)
	30,132	21,362

	2024 Number of shares '000	2023 Number of shares '000 (Restated)
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	258,442	258,442

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share for the years ended 31 December 2024 and 2023 have been adjusted retrospectively to reflect the impact of share consolidation (note 27) during the year ended 31 December 2024.

The computation of diluted earnings per share for the years ended 31 December 2024 and 2023 did not assume the conversion of certain perpetual convertible securities and the issue of certain shares under the share award scheme since their assumed conversion and issue during the years would have an anti-dilutive effect on the basic earnings per share amount presented.

12. GOODWILL

Goodwill related to the acquisition of Hebei Tu Men Travel Development Limited. The goodwill had been fully impaired in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Furniture and leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2023	102,263	561	70,797	1,392	175,013
Additions	42	–	8,727	3	8,772
Exchange realignment	(2,454)	–	(650)	(16)	(3,120)
At 31 December 2023 and 1 January 2024	99,851	561	78,874	1,379	180,665
Additions	–	425	1,371	286	2,082
Write-off	–	–	(249)	–	(249)
Exchange realignment	(1,833)	–	(2,539)	(15)	(4,387)
At 31 December 2024	98,018	986	77,457	1,650	178,111
Accumulated depreciation					
At 1 January 2023	11,932	20	6,176	1,256	19,384
Charge for the year	3,012	–	23,394	31	26,437
Exchange realignment	(383)	–	(941)	(11)	(1,335)
At 31 December 2023 and 1 January 2024	14,561	20	28,629	1,276	44,486
Charge for the year	4,465	75	16,650	52	21,242
Write-off	–	–	(224)	–	(224)
Exchange realignment	(648)	–	(1,086)	(7)	(1,741)
At 31 December 2024	18,378	95	43,969	1,321	63,763
Net carrying values					
At 31 December 2024	79,640	891	33,488	329	114,348
At 31 December 2023	85,290	541	50,245	103	136,179

Note:

- (i) As at 31 December 2024, the Group is in process of applying for certificates of ownership for certain buildings with carrying amount of HK\$55,832,000 (2023: HK\$60,156,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
Fair value		
At the beginning of the reporting period	74,783	82,437
Additions	8,628	–
Disposal	–	(73)
Fair value change	(4,891)	(5,564)
Exchange realignment	(2,536)	(2,017)
At the end of the reporting period	75,984	74,783

Notes:

- (a) The investment properties held at the end of the reporting period were valued by Vincorn Consulting and Appraisal Limited (2023: Flagship Appraisal and Consulting Limited), an independent professional valuer. The valuation, which conforms to the requirements set out in the RICS Valuation – Global Standards, incorporating the International Valuation Standards, issued by the Royal Institution of Chartered Surveyors (2023: The Hong Kong Institute of survey (“HKIS”) (2020 Edition) published by the valuation standards panel of the HKIS General Practice Division Council), was conducted by the investment approach by reference of current existing sub-leasing tenancy and potential reversionary rental income at market level for the unleased period. Achievable daily unit rent of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the properties. The most significant inputs used in this valuation approach are capitalisation rates and prevailing unit market rent.

All of the Group’s property interests held under leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified as investment properties.

- (b) The investment properties of the Group are situated in the PRC, with remaining unexpired lease term ranging from 2 to 17 years (2023: from 1 to 18 years).

Leasing arrangement – as lessor

Certain investment properties are leased to tenants for a term ranging from 1 to 11 years (2023: 1 to 12 years), in which the leases are cancellable with a notice period of 2 months (2023: 2 months). The leases provide the lessees with option to renew the leases upon expiry. Monthly rental charges consist of fixed payments. The tenants also bear the management fees.

The lease income from operating leases is set out in note 3 to the consolidated financial statements.

Properties under leases are subject to residual value risk. The lease contracts, as a result, include a provision based on which the Group has the right to charge the tenants for any damages to the investment properties at the end of the leases. Besides, the Group has purchased insurance to protect it against any losses that may arise from accidents or physical damages of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. INVESTMENT PROPERTIES (*continued*)

Leasing arrangement – as lessor (*continued*)

Below is a maturity analysis of undiscounted lease payments to be received from the investment properties under operating leases.

	2024 HK\$'000	2023 HK\$'000
Year 1	24,125	21,308
Year 2	20,452	19,054
Year 3	10,954	16,503
Year 4	8,989	9,390
Year 5	7,437	8,064
After Year 5	22,377	29,827
	94,334	104,146

15. RIGHT-OF-USE ASSETS

The movements of right-of-use assets within HKFRS 16 are set out below:

	Land use rights HK\$'000	Staff quarter HK\$'000	Office premises HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Reconciliation of carrying amount					
– year ended 31 December 2023					
At the beginning of the reporting period	24,416	70	707	1,853	27,046
Depreciation	(553)	(70)	(499)	(988)	(2,110)
Exchange realignment	250	–	–	(44)	206
At the end of the reporting period	24,113	–	208	821	25,142

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For the year ended 31 December 2024

15. RIGHT-OF-USE ASSETS (*continued*)

	Land use rights HK\$'000	Staff quarter HK\$'000	Office premises HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Reconciliation of carrying amount					
– year ended 31 December 2024					
At the beginning of the reporting period	24,113	–	208	821	25,142
Addition	–	–	2,728	–	2,728
Depreciation	(543)	–	(304)	(748)	(1,595)
Exchange realignment	(617)	–	–	(73)	(690)
At the end of the reporting period	22,953	–	2,632	–	25,585
At 31 December 2023					
Cost	27,047	–	1,000	2,951	30,998
Accumulated depreciation	(2,934)	–	(792)	(2,130)	(5,856)
Net carrying amount	24,113	–	208	821	25,142
At 31 December 2024					
Cost	26,323	–	2,728	–	29,051
Accumulated depreciation	(3,370)	–	(96)	–	(3,466)
Net carrying amount	22,953	–	2,632	–	25,585

Land use right represents the prepaid lease payment of land located in the PRC. The land use right has a finite useful life and is depreciated on a straight-line basis over 40 years. At the end of the reporting period, the remaining useful life is 34 years (2023: 35 years). The Group's land use rights for its operation of tourism and cultural attractions, where the buildings and facilities are primarily located. The Group is the registered owner of the land. Lump sum payments were made upfront to acquire the land from the previous registered owner, and there are no ongoing payments to be made under the terms of the land lease.

During the year ended 31 December 2024 and 2023, the Group leased office premises in Hong Kong for its daily operations for a term of 2 years with fixed lease payments. The lease of office premises and staff quarter imposed a restriction that, unless approval was obtained from the lessor, the right-of-use asset can only be used by the Group and the Group was prohibited from selling or pledging the underlying assets. In addition, the Group was also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. The Group leases offices under leases expiring in 2 year (2023: 1 year). None of the leases includes variable lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. RIGHT-OF-USE ASSETS (continued)

The Group has recognised the following amounts for the year:

	2024 HK\$'000	2023 HK\$'000
Lease payments – Expenses recognised in profit or loss:		
Lease payments for short-term leases	553	326
Total cash outflow for leases	14,476	10,734

Commitments under operating leases

As at 31 December 2024, the Group was committed to HK\$851,000 (2023: HK\$786,000) for short-term leases were committed.

16. INTANGIBLE ASSETS

	Travel license and others HK\$'000	Software HK\$'000	Total HK\$'000
Cost:			
At 1 January 2023	7,794	246	8,040
Disposal of a subsidiary	(6,043)	–	(6,043)
Exchange adjustments	(87)	(6)	(93)
At 31 December 2023	1,664	240	1,904
At 31 December 2023 and 1 January 2024	1,664	240	1,904
Exchange adjustments	(94)	(8)	(102)
At 31 December 2024	1,570	232	1,802
Accumulated amortization:			
At 1 January 2023	7,794	137	7,931
Charge for the year	–	32	32
Disposal of a subsidiary	(6,043)	–	(6,043)
Exchange adjustments	(87)	(86)	(173)
At 31 December 2023	1,664	83	1,747
At 31 December 2023 and 1 January 2024	1,664	83	1,747
Charge for the year	–	16	16
Exchange adjustments	(94)	55	(39)
At 31 December 2024	1,570	154	1,724
Net carrying values			
At 31 December 2024	–	78	78
At 31 December 2023	–	157	157

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For the year ended 31 December 2024

17. SUBSIDIARIES

Details of the principal subsidiaries of the Company at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ operation/kind of legal entity	Particulars of issued share capital/ paid up capital	Effective ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Shenzhen Gangyu Huamei Management Company Limited (深圳港悅華美企業管理有限公司) (formerly known as Shenzhen Dongsheng Huamei Cultural Travel Company Limited (深圳東勝華美文化旅遊有限公司)) (Note (i))	the PRC/ limited liability company	Note (iii)	-	100% (2023: 100%)	Property management
Tu Men Travel Development Limited (“Tu Men Travel”) (河北土門旅遊開發有限公司) (Note (ii))	the PRC/ limited liability company	Note (iv)	-	55% (2023: 55%)	Tourism business
Gangyu (Beijing) International Travel Company Limited (港譽(北京)國際旅行社有限公司) (formerly known as Dongsheng (Beijing) International Travel Company Limited (東勝(北京)國際旅行社有限公司) (Note (i))	the PRC/ limited liability company	Note (v)	-	100% (2023: 100%)	Tourism business
Hebei Yidao Town Real Estate Development Limited (河北驛道小鎮房地產開發有限公司) (Note (ii))	the PRC/ limited liability company	Note (vi)	-	75% (2023: 75%)	Tourism business and property development
Hebei Gangyu Property Management Services Company Limited (河北港譽智慧物業服務有限公司) (“Gangyu PMS”) (Note (i))	the PRC/ limited liability company	Note (vii)	-	100% (2023: 100%)	Property management and leasing related service
Shijiazhuang Jiayan Business Management Company Limited (石家莊嘉言商業管理有限公司) (Note (i))	the PRC/ limited liability company	Note (vii)	-	100% (2023: 100%)	Leasing related service
Shijiazhuang Jiaxun Business Management Company Limited (石家莊嘉勛商業管理有限公司) (Note (i))	the PRC/ limited liability company	Note (ix)	-	100% (2023: 100%)	Leasing related service
Gangyu Smart Environment Services (Beijing) Company Limited (港譽智慧環境服務(北京)有限公司) (Note (ii))	the PRC/ limited liability company	Note (x)	-	100% (2023: 100%)	Ecological environment engineering

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17. SUBSIDIARIES (*continued*)

The above summary includes those subsidiaries which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group. The classes of shares held are ordinary shares unless otherwise stated. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. None of the subsidiaries had any debt securities in issue at any time during the years ended 31 December 2024 and 2023.

Notes:

- (i) The English translation of the name is for reference only. The official name of the entity is in Chinese. The entity is a limited liability company and wholly domestic owned enterprise registered as under PRC law.
- (ii) The English translation of the name is for reference only. The official name of the entity is in Chinese. The entity is a limited liability company and local joint venture registered as under PRC law.
- (iii) The registered capital of this entity is RMB450,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2045.
- (iv) The registered capital of this entity is RMB66,486,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2046.
- (v) The registered capital of this entity is RMB10,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2033.
- (vi) The registered capital of this entity is RMB120,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2048.
- (vii) The registered capital of this entity is RMB60,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2037.
- (viii) The registered capital of this entity is RMB1,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2036.
- (ix) The registered capital of this entity is RMB1,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2051.
- (x) The registered capital of this entity is RMB20,000,000. As of 31 December 2024 and 2023, the whole registered capital has not been paid up and is required to be paid up before 2051.

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For the year ended 31 December 2024

17. SUBSIDIARIES (*continued*)

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

Tu Men Travel

	2024	2023
Proportion of NCI's ownership interests	45%	45%
	HK\$'000	HK\$'000
Non-current assets	103,823	110,876
Current assets	756	807
Current liabilities	(46,901)	(49,948)
Non-current liabilities	(3,346)	(3,346)
Net assets	54,332	58,389
Carrying amount of NCI	24,449	26,275
	HK\$'000	HK\$'000
Revenue	5,922	9,954
Expenses	(9,921)	(11,137)
Loss for the year	(3,999)	(1,183)
Other comprehensive loss for the year	(1,826)	(2,111)
Total comprehensive loss for the year	(5,825)	(3,294)
Loss attributable to NCI		
Loss for the year	(1,799)	(532)
Other comprehensive loss for the year	(822)	(950)
Total comprehensive loss for the year	(2,621)	(1,482)
Dividends payable/paid to NCI	474	828
Net cash inflow (outflow) from		
– operating activities	1,620	1,751
– investing activities	(1,295)	(1,318)
– financing activities	(474)	(621)

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18. INVESTMENT IN AN ASSOCIATE

	2024 HK\$'000	2023 HK\$'000
Share of net assets	22,686	25,055
Share of results	(1,567)	(2,013)
Amount due from an associate (note*)	56,185	63,802

Details of the associate at the end of the reporting period are as follows:

Name of an associate	Place of incorporation/ kind of legal entity	Particular of issued share capital	Proportion of value of registered capital held indirectly by the Company		Principal activities
			Directly	Indirectly	
Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) ("Dakun Zhifang")	The PRC/ limited liability company	RMB5,000,000	-	40% (2023: 40%)	Real estate development and sales and other related service, inactive during the year

Fair value of investment

The above associates is a private company and there is no quoted market price available for the investment.

Financial information of the associate

Summarised financial information of the above associate of the Group is set out below, which represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

The above associate is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. INVESTMENT IN AN ASSOCIATE (*continued*)

Financial information of the associate (*continued*)

	2024	2023
Group's ownership interests	40%	40%
	HK\$'000	HK\$'000
At 31 December		
Gross amount		
Current assets	91,273	93,708
Non-current assets	112,596	121,365
Current liabilities	(142,602)	(146,495)
Non-current liabilities	(4,551)	(5,941)
Net assets	56,716	62,637
Group's share of equity and carrying amount of interests	22,686	25,055
	2024	2023
Group's ownership interests	40%	40%
	HK\$'000	HK\$'000
Year ended 31 December		
Revenue	–	–
Loss for the year	(3,917)	(5,034)
Other comprehensive loss for the year	(2,003)	(1,778)
Total comprehensive loss for the year	(5,920)	(6,812)
Group's share of results:		
Loss for the year	(1,567)	(2,013)
Other comprehensive loss for the year	(802)	(711)
Total comprehensive loss for the year	(2,369)	(2,724)

Note*: During the reporting period, Dakun Zhifang repaid RMB5,200,000 (equivalent to HK\$5,632,000) to the Group. As at 31 December 2024, amount due from an associate of HK\$56,185,000 (2023: HK\$63,802,000) are interest-free and repayable on demand.

Due to the relatively thin capitalization of Dakun Zhifang, the intermediate holding company of Dakun Zhifang controlled by Mr. Shi, has confirmed in writing its intention to provide financial support to the associate in the next 12 months to the extent that is necessary to allow it to continue its business. In addition, the amount due from an associate is secured by investment properties of HK\$112,596,000 (2023: HK\$121,365,000) and land held for future development for sale of HK\$90,697,000 (2023: HK\$93,547,000) held by Dakun Zhifang. As such, the directors of the Company consider that the credit risk arising from the amount due from an associate are significantly mitigated by the financial support and secured investment properties and that no loss allowance is necessary.

Contingent liabilities of an associate

At the end of the reporting period, there are no contingent liabilities incurred by the Group in relation to its investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. INVENTORIES

	2024	2023
	HK\$'000	HK\$'000
Raw materials	132	184
Land held for future development for sale	14,927	15,146
	15,059	15,330

The amount of land held for future development expected to be recovered after more than one year is HK\$14,927,000 (2023: HK\$15,146,000). All of the other inventories are expected to be recovered within one year.

20. TRADE RECEIVABLES/CONTRACT ASSETS

(a) Trade receivables

	2024	2023
	HK\$'000	HK\$'000
From third parties	116,725	55,450
From related companies in which Mr. Shi has beneficial interest	53,182	45,087
	169,907	100,537
Loss allowance	(11,440)	(10,175)
	158,467	90,362

For third party customers under property management segment, the Group charges property management fees on an annual or a semi-annual basis and the payment is generally due upon the issuance of demand notes. For other business segments, the Group grants a credit period of 1 to 90 days to its customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. TRADE RECEIVABLES/CONTRACT ASSETS (*continued*)

(a) Trade receivables (*continued*)

The ageing analysis of trade receivables (net of loss allowance) by invoice date is summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Within 90 days	62,001	38,492
91 to 180 days	34,769	23,077
181 to 365 days	48,986	23,237
Over 365 days	12,711	5,556
	158,467	90,362

(b) Contract assets

	2024 HK\$'000	2023 HK\$'000
From third parties	16,860	42,895
Loss allowance	(6)	(1,069)
	16,854	41,826

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within HKFRS 15 during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
At the beginning of the reporting period	41,826	–
Addition	17,201	43,103
Transferred to trade receivables	(42,338)	–
Reversal of (Impairment loss)	1,049	(1,074)
Exchange adjustments	(884)	(203)
At the end of the reporting period	16,854	41,826

At 31 December 2024, no (2023: no) contract assets that are expected to be recovered after more than 12 months.

Information about the Group's exposure to credit risks and loss allowance for trade and rental receivables and contract assets is included in note 34 to the consolidated financial statements.

Loss allowance on trade receivables of HK\$1,814,000 (2023: HK\$653,000) was recognised in profit or loss during the year.

Reversal of loss allowance on contract assets of HK\$1,049,000 (2023: provision for loss allowance of HK\$1,074,000) was recognised in profit or loss during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current portion			
Deposits paid for acquisition of investment properties	(i)	–	25,103
Consideration receivables		–	1,097
		–	26,200
Current portion			
Other receivables			
From third parties			
– The PRC local government	(ii)	3,749	11,009
– Others	(iv)	10,399	20,378
From related parties	(iii)	305	–
		14,453	31,387
Prepayments		11,080	4,408
Deposits		1,166	3,104
Consideration receivables		915	2,194
Refund receivable from acquisition of investment properties	(i)	26,500	–
		39,661	9,706
		54,114	41,093

Notes:

- (i) Pursuant to the sale and purchase agreements dated 20 January 2022 entered into between Hebei Qifuqian Yue Real Estate Development Co., Ltd. (“Qifuqian Yue”, which is owned as to 51% by Orient Victory Property Development Group Co., Ltd. (which is 95%-owned by Mr. Shi) and Gangyu PMS, Gangyu PMS acquired 47 commercial units located in Shijiazhuang City, Hebei Province, the PRC, (the “Properties”) for a total cash consideration of RMB22,876,000 (equivalent to approximately HK\$26,467,000) (the “Consideration”). The Consideration has been fully settled in January 2022. Pursuant to the announcement of 29 February 2024, it has been notified by Qifuqian Yue that the development project would be delayed.

On 19 April 2024, a settlement agreement was entered between both parties, pursuant to which, the Group received 3 commercial properties, amounted to HK\$2,742,000, located in Shijiazhuang City, Hebei Province, the PRC, as compensation for the delay in delivery. All commercial properties are recognised as investment properties and have been leased out for rental income for the year ended 31 December 2024.

Since the Properties cannot be delivered on or before 30 December 2024, the management decided to terminate the transactions and ask for refund of Consideration from Qifuqian Yue together with the penalty due to the termination of the transaction. The Consideration and penalty, amounted to HK\$26,500,000, has been received in January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (*continued*)

Notes: (Continued)

- (ii) Pursuant to an agreement dated 28 October 2021 entered into between the Group and Luquan Branch of Shijiazhuang Natural Resources and Planning Bureau, a piece of land of the Group located in Hebei Province with an aggregate area of approximately 21,647 square meters, which was recognised as inventories in the consolidated financial statements as at 31 December 2020 at the carrying amount of RMB85,897,000 (equivalent to approximately HK\$102,344,000), for which its legal right of use was transferred back to Luquan Branch of Shijiazhuang Natural Resources and Planning Bureau for a total compensation of RMB85,033,000 (equivalent to approximately HK\$102,162,000). During the year, RMB6,500,000 (2023: RMB18,000,000) was received. The directors of the Company are of the view that the amount are expected to be fully recoverable within one year.
- (iii) The amounts are unsecured, interest-free and no repayment terms. The maximum balance during the year was HK\$607,000 (2023: HK\$nil).
- (iv) As at 31 December 2023, included in the other receivables of HK\$6,584,000 was the loan to a third party which is unsecured, interest-bearing at 6% per annum. The amount was fully settled during the year.

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22. TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

	2024 HK\$'000	2023 HK\$'000
Cash at banks and on hand	53,836	164,880
Time deposits with maturity		
– less than 3 months	32,514	36,493
– over 3 months but less than 12 months (note a)	–	70,784
	86,350	272,157

Notes:

- (a) No deposits with original maturity over three months as at 31 December 2024 (2023: approximately HK\$70,784,000 represent fixed deposits with maturity more than three months but, under twelve months which carried interest at prevailing market rate from 3.9% to 5.7% per annum).
- (b) Included in cash and cash equivalents are bank balances deposited in Mainland China and denominated in RMB of HK\$45,483,000 (2023: HK\$165,426,000). RMB is not freely convertible into other currencies, and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

23. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Notes	2024 HK\$'000	2023 HK\$'000
Trade payables			
To third parties		31,797	29,892
To related parties		773	179
	(a)	32,570	30,071
Contract liabilities	(b)	29,683	26,820
Other payables			
Consideration payables for acquisition of Tu Men Travel		6,513	6,735
Deposits		1,741	1,955
Receipt in advance in respect of rental income		5,621	4,227
Accrued charges and other payables		49,089	51,719
Due to immediate holding company	(c)	–	785
Due to related company controlled by Mr. Shi	(c)	–	195
		62,964	65,616
		125,217	122,507

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For the year ended 31 December 2024

23. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (*continued*)

Note:

- (a) The ageing analysis of trade payables by invoice date is summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Within 90 days	12,659	13,495
91 to 180 days	5,304	2,515
181 to 365 days	4,396	3,173
Over 365 days	10,211	10,888
	32,570	30,071

All trade payables are expected to be settled within one year or are repayable on demand.

- (b) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
At the beginning of the reporting period	26,820	25,297
Disposal of a subsidiary	–	(4,089)
Recognised as revenue	(26,472)	(20,287)
Receipt in advances	30,294	26,450
Exchange adjustments	(959)	(551)
At the end of the reporting period	29,683	26,820

Unsatisfied or partially unsatisfied performance obligations

All (2023: all) of the performance obligations that are unsatisfied or partially unsatisfied at 31 December 2024 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

- (c) The amounts were unsecured, interest-free and no fixed repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. LEASE LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Current portion	9,047	7,933
Non-current portion	37,313	41,284
	46,360	49,217

At the end of the reporting period, lease liabilities are carried at weighted average incremental borrowing rate ranging from 2.2% to 5.25% (2023: from 2.2% to 4.75%) per annum and repayable in 1 to 17 years (2023: 1 to 18 years).

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 25 January 2019 and 6 June 2019, OVRE, and certain employees of the Group and other third-party individuals as placees (the “Placees”) entered into sale and purchase agreements, under which OVRE agreed to sell and the Placees agreed to purchase 156,460,000 shares and 15,690,000 shares of the Company (collectively the “Placing Shares”) at HK\$0.145 per share and HK\$0.129 per share respectively. Pursuant to the agreements, 7 employees of the Group have purchased 4,840,000 Placing Shares.

On 12 July 2019, OVRE adopted a share award scheme (the “Scheme”) to grant awarded restricted shares of the Company (the “Awarded Shares”) to selected persons. The Scheme shall be valid and effective for 10 years.

On 22 July 2019, the board of directors of OVRE approved to grant 8,970,000 Awarded Shares of the Company at nil consideration to 15 employees of the Group under the Scheme.

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25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (*continued*)

The Group deemed the selling of the Placing Shares and the grant of the Awarded Shares to the Group's employees as a combined share-based payment arrangement. Both the Placing Shares and the Awarded Shares are subject to the terms and conditions as tabulated below and the dates of the selling of the Placing Shares and the grant of the Awarded Shares are collectively referred to as the "Grant Date":

The Grant Date	The Company's share price as of the Grant Date	Number of the Placing Shares and the Awarded Shares	Vesting conditions
25 January 2019	HK\$0.180	912,000	42 months from the Grant Date
25 January 2019	HK\$0.180	1,824,000	54 months from the Grant Date
25 January 2019	HK\$0.180	1,824,000	66 months from the Grant Date
6 June 2019	HK\$0.160	56,000	37 months from the Grant Date
6 June 2019	HK\$0.160	112,000	49 months from the Grant Date
6 June 2019	HK\$0.160	112,000	61 months from the Grant Date
22 July 2019	HK\$0.150	1,794,000	36 months from the Grant Date
22 July 2019	HK\$0.150	3,588,000	48 months from the Grant Date
22 July 2019	HK\$0.150	3,588,000	60 months from the Grant Date
		13,810,000	
At 31 December 2024	n/a	–	n/a
At 31 December 2023	HK\$0.160	900,000	From 49 to 61 months from the Grant Date
	HK\$0.150	2,000,000	From 48 to 60 months from the Grant Date
		2,900,000	

During the year ended 31 December 2024, share-based payment expense of HK\$73,000 (2023: HK\$315,000) was recognised in administrative expenses of the Company. During the year ended 31 December 2024, there were no (2023: no) Placing Shares and Awarded Shares forfeited for resignation of certain employees. At 31 December 2024, no (2023: 2,900,000) Placing Shares and Awarded Shares have yet to meet the final stage of vesting conditions. All the vesting period was ended on 21 July 2024.

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26. DEFERRED TAXATION

The following are the deferred tax (assets) liabilities recognised and the movements thereon during the years ended 31 December 2024 and 2023.

	Tax losses HK\$'000	Fair value adjustment on non-current assets upon the acquisition of subsidiaries HK\$'000	Revaluation of investment property HK\$'000	Total HK\$'000
At 1 January 2023	(1,967)	4,293	8,320	10,646
Credited to profit or loss (Note 8)	(1,121)	–	(501)	(1,622)
Disposal through deregistration of subsidiaries	–	(916)	–	(916)
Exchange realignment	400	(4)	262	658
At 31 December 2023 and 1 January 2024	(2,688)	3,373	8,081	8,766
Credited to profit or loss (Note 8)	(1,215)	–	(3,248)	(4,463)
Exchange realignment	440	(1)	669	1,108
At 31 December 2024	(3,463)	3,372	5,502	5,411

Unrecognised deferred tax assets

	2024 HK\$'000	2023 HK\$'000
Tax losses arising in Hong Kong	23,303	23,303
Tax losses arising in the PRC	39,688	46,023
	62,991	69,326

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26. DEFERRED TAXATION (*continued*)

At the end of the reporting period, the Group had the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax losses were incurred:

	2024 HK\$'000	2023 HK\$'000
Year of expiry		
2024	–	1,689
2025	30,781	35,723
2026	4,558	4,987
2027	1,083	2,795
2028	926	829
2029	2,340	–
	39,688	46,023

The accumulated profits of certain foreign subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of accumulated profits of these foreign entities were approximately of HK\$16,731,000 (2023: HK\$9,127,000). In the opinion of the directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the future. Accordingly, no provisions for additional deferred taxation have been made.

27. SHARE CAPITAL

	2024		2023	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
At the beginning of the reporting period, ordinary shares of HK\$0.005 each	20,000,000	100,000	20,000,000	100,000
Share Consolidation (note)	(19,600,000)	–	–	–
At the end of the reporting period, ordinary shares of HK\$0.25 (2023: HK\$0.005) each	400,000	100,000	20,000,000	100,000
Issued and fully paid:				
At the beginning of the reporting period, ordinary shares of HK\$0.005 each	12,922,075	64,610	12,922,075	64,610
Share Consolidation (note)	(12,663,633)	–	–	–
At the end of the reporting period, ordinary shares of HK\$0.25 (2023: HK\$0.005) each	258,442	64,610	12,922,075	64,610

Note:

Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting held on 2 December 2024, every fifty issued and unissued shares of HK\$0.005 each in the share capital of the Company were consolidated into one share of HK\$0.25 each with effect from 4 December 2024.

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28. PERPETUAL CONVERTIBLE SECURITIES

On 30 March 2016, the Company issued perpetual convertible securities in an aggregate principal amount of HK\$170,000,000 (the “2016 March PCS”). The net proceeds of HK\$155,668,000 were recorded as equity. The Group pledged the entire equity interest in Hua Yu New Life Services (Shenzhen) Company Limited (formerly named Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the 2016 March PCS.

On 24 October 2016, the Company issued perpetual convertible securities in an aggregate principal amount of HK\$264,867,000 (the “2016 October PCS”, together with the 2016 March PCS, the “PCS”). The amount of HK\$240,606,000, net with transaction costs, were recorded as equity.

The PCS have no fixed maturity dates. The Company may at its option redeem in whole or in part of the PCS. The PCS are convertible at the option of the holders into ordinary shares in the Company on a one-to-one ratio at the conversion price of HK\$0.5436 and HK\$0.128 per ordinary share of the Company for the 2016 March PCS and the 2016 October PCS, respectively.

Upon the completion of share consolidation (note 27) on 4 December 2024, the conversion price of 2016 March PCS to ordinary shares in the Company was changed from HK\$0.5436 per ordinary share to HK\$27.18 per ordinary share.

Distributions at a rate of 6% per annum shall be payable on the PCS semi-annually and 2016 March PCS and 2016 October PCS may be deferred and cancelled respectively at the sole discretion of the Company unless compulsory distribution payment events (including a discretionary dividend to ordinary shareholders of the Company or repaying any securities of lower rank or early redemption of securities prior to its stated maturity) has occurred. Distributions can be in the form of cash or other instruments, like ordinary shares, at the Company’s discretion.

In 2017 and 2018, 1,330,000 units and 1,000,000 units of the 2016 October PCS have been converted into ordinary shares in the Company respectively.

On 8 March 2021, the Company announced to cancel the distribution to holders of the 2016 October PCS, which was originally scheduled to be made on 24 April 2021 at the distribution rate of 6% per annum. In respect of the distributions in the second half of 2021 and the first half of 2022, on 25 October 2021 and 25 April 2022, the Company paid out distributions of approximately HK\$7,937,000 and approximately HK\$7,937,000 to the holders respectively. On 8 September 2022, in respect of the distributions in the second half of 2022, on 10 October 2022, the Company paid out distributions of HK\$7,937,000 to the holders.

On 8 March 2023, the Company announced to cancel the distribution of the 2016 October PCS, which was originally scheduled to be made on 24 April 2023 at the distribution rate of 6% per annum. In respect of the distributions in the second half of 2023, on 24 October 2023, the Company paid out distributions of approximately HK\$7,937,000 to the holders.

In respect of the distributions in the first half of 2024, on 24 April 2024, the Company paid out distributions of approximately HK\$7,937,000 to the holders. On 5 September 2024, the Company announced to cancel the distribution of the 2016 October PCS, which was originally scheduled to be made on 24 October 2024 at the distribution rate of 6% per annum.

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For the year ended 31 December 2024

28. PERPETUAL CONVERTIBLE SECURITIES (*continued*)

Pursuant to the board resolution dated 4 October 2024, having considered (i) the continuous cancellation of the distribution will have negative impact on the reputation of the Company; (ii) the Company has sufficient cash and bank balance; and (iii) the dilution of ordinary shareholder's interests if the 2016 October PCS holder has to convert the PCS into ordinary shares, the management decided to redeem the 2016 October PCS in full.

During the year, the Group has redeemed the 2016 October PCS of HK\$264,569,000 by way of (i) cash considerations paid to OVRE and its assigned third parties and other holders of HK\$183,726,000 and HK\$541,000 respectively; (ii) settlement through the current account maintained with OVRE, amounted to HK\$302,000; and (iii) settlement through issuance of perpetual bonds of HK\$80,000,000 to OVRE (note 30). The transaction was completed on 31 December 2024. The redemption of 2016 October PCS resulted in a loss of HK\$23,963,000, which was recognised directly in equity being transaction with owner.

On 20 May 2019, 183,958,793 units of the 2016 March PCS have been redeemed by the Company at the total amount of HK\$100,000,000. At 31 December 2024 and 2023, there were 128,771,155 units of the 2016 March PCS in an aggregate principal amount of HK\$70,000,000 outstanding.

In respect of the accumulated distributions of HK\$21,000,000 to the holder of 2016 March PCS which were originally scheduled to be made on 30 September 2019, 30 March 2020, 30 September 2020, 30 March 2021, 30 September 2021, 30 March 2022 and 30 September 2022 and 30 March 2023 and 30 March 2024 and 30 September 2024 at the distribution rate of 6% per annum, the Company paid out the aggregate amount of HK\$27,845,000, including the accumulated deferred distribution of HK\$16,800,000 brought forward from prior years and interests of HK\$6,845,000, to the holder on 30 March 2024 and 30 September 2024.

At 31 December 2024, the accumulated deferred distribution amounted to HK\$nil (2023: HK\$16,800,000).

29. RESERVES

The following provides a description of nature and purpose of each reserve within equity:

Share premium

Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Other reverse

Included in the other reserves of HK\$2,760,000 represented the difference between consideration paid and the amount of the non-controlling interests, as a result of acquisition of 49% equity interests in Gangyu Smart Environment Services (Beijing) Company Limited, upon completion of the transaction.

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For the year ended 31 December 2024

30. PERPETUAL BONDS

In December 2024, the Company entered into a subscription agreement (the “Subscription Agreement”) with OVRE (the “Subscriber”) pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, the perpetual bonds in the principal amount of HK\$80,000,000 (the “Perpetual Bonds”).

The subscription price of the Perpetual Bonds was satisfied by the Subscriber by way of set-off of part of the consideration of redemption of 2016 October PCS (note 28) in the amount of HK\$80,000,000 owed by the Company to the Subscriber.

The Perpetual Bonds confer a right on the holder to receive fixed distributions at a distribution rate of 5.4% per annum, which shall be payable annually in arrears. The Company may, at its sole discretion, elect to cancel any scheduled distributions and distributions that are cancelled shall be non-cumulative.

The Perpetual Bonds have no fixed redemption date and are redeemable either in full or in part at the option of the Company at the outstanding principal amount of the Perpetual Bonds to be redeemed together with any distribution accrued to the date fixed for redemption.

31. OTHER CASH FLOW INFORMATION

Details of the changes in the Group’s liabilities from financing activities are as follows:

	Distributions payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
2023			
At the beginning of the reporting period	–	54,838	54,838
Transfer from other payables	–	3,581	3,581
Distributions declared (Note 28)	10,037	–	10,037
Disposal	–	(34)	(34)
Finance costs	–	2,463	2,463
Exchange adjustments	–	(1,223)	(1,223)
Cash outflow in financing activities:			
Distributions paid to holders of perpetual convertible securities	(10,037)	–	(10,037)
Repayment of lease liabilities	–	(7,945)	(7,945)
Interest paid	–	(2,463)	(2,463)
At the end of the reporting period	–	49,217	49,217

	Distributions payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
2024			
At the beginning of the reporting period	–	49,217	49,217
Addition	–	8,613	8,613
Distributions declared (Note 28)	35,782	–	35,782
Finance costs	–	2,161	2,161
Exchange adjustments	–	292	292
Cash outflow in financing activities:			
Distributions paid to holders of perpetual convertible securities	(35,782)	–	(35,782)
Repayment of lease liabilities	–	(11,762)	(11,762)
Interest paid	–	(2,161)	(2,161)
At the end of the reporting period	–	46,360	46,360

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For the year ended 31 December 2024

32. CAPITAL COMMITMENTS

As at 31 December 2024, the Group had capital commitment relating to the investment in an equity security of approximately HK\$15,918,000 (2023: HK\$16,460,000).

33. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements (including notes 18, 21, 25 and 29), the Group had the following material transactions with related parties during the year:

Relationships	Nature of transactions	Notes	2024 HK\$'000	2023 HK\$'000
Key management personnel remuneration	Salaries, bonus, allowances and other short-term benefits		4,398	6,027
	Contributions to defined contribution plans		81	65
			4,479	6,092
Related company controlled by Mr. Shi	Marketing, event planning and consulting services income (excluding value added tax)	(i)	–	994
	Property management services income (excluding value added tax)	(i)	4,936	10,517
	Commercial properties and merchants management services income (excluding value added tax)	(i)	34,352	37,449
	Rental expenses included in selling, general and administrative expenses	(ii)	2,563	–
Non-controlling shareholders of subsidiaries	Consideration received in relation to disposal of a subsidiary		2,268	1,097
Intermediate holding company of an associate, controlled by Mr. Shi	Repayment of amount due from an associate		–	71,232

Notes:

- (i) These transactions constitute continuing connected transactions under the Listing Rules, further details of which are set out in the “Report of the directors” of this annual report.
- (ii) These transactions constitute exempted continuing connected transactions under the Listing Rules.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets at amortised cost		
Trade receivables	158,467	90,362
Contract assets	16,854	41,826
Other receivables	42,731	36,685
Time deposits with original maturity over three months	–	70,784
Cash and cash equivalents	86,350	201,373
	304,402	441,030
Financial liabilities at amortised cost		
Trade payables	32,570	30,071
Other payables (excluding receipt in advance, other tax payables and employment benefits payables)	39,296	21,034
Lease liabilities	46,360	49,217
	118,226	100,322

The Group's principal financial instruments comprise trade receivables, trade payables and cash and cash equivalents. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has lease liabilities and various other financial instruments such as other receivables, other payables and lease liabilities which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk.

The directors of the Company generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum level. The directors of the Company review and agree policies for managing each risk as summarised below and they manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group reviews the recoverable amount of each individual financial assets and rental receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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For the year ended 31 December 2024

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

(a) Credit risk (*continued*)

Trade receivables and contract assets

The Group has a credit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, the management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records. For trade receivables from property management segment to third parties, the Group charges property management fees on an annual or a semi-annual basis and the payment is generally due upon the issuance of demand notes. For other business segments, the Group grants a credit period of 1 to 90 days to its customers.

As at the end of the reporting period, the Group had a concentration of credit risk as 43% (2023: 37%) and 76% (2023: 68%) of the total trade receivables were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. The Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past two years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

The information about the exposure to credit risk and ECL for trade and rental receivables using a provision matrix as at 31 December 2024 and 2023 are summarised below.

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For the year ended 31 December 2024

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

(a) Credit risk (*continued*)

Trade receivables and contract assets (continued)

As at 31 December 2024

Ageing by due date	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowances HK\$'000	Credit- impaired	Net carrying amount HK\$'000
Past due:					
– within 3 months	0.45%	62,024	(277)	No	61,747
– more than 3 months but less than 6 months	1.45%	35,021	(507)	No	34,514
– more than 6 months but less than 12 months	1.11%	49,978	(553)	No	49,425
– over 1 year	44.15%	22,884	(10,103)	Yes	12,781
		169,907	(11,440)		158,467

As at 31 December 2023

Ageing by due date	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowances HK\$'000	Credit- impaired	Net carrying amount HK\$'000
Past due:					
– within 3 months	0.38%	38,640	(148)	No	38,492
– more than 3 months but less than 6 months	4.28%	24,109	(1,032)	No	23,077
– more than 6 months but less than 12 months	9.84%	25,772	(2,535)	No	23,237
– over 1 year	53.76%	12,016	(6,460)	Yes	5,556
		100,537	(10,175)		90,362

The Group does not hold any collateral over trade receivables at the end of the reporting period (2023: HK\$ nil).

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

(a) Credit risk (*continued*)

Trade receivables and contract assets (continued)

The Group recognised loss allowance of HK\$1,814,000 (2023:HK\$653,000) on the trade receivables during the year. The movement in the loss allowance for trade receivables during the year is summarised below.

	2024 HK\$'000	2023 HK\$'000
At the beginning of the reporting period	10,175	11,984
Increase in allowance	1,814	653
Disposal of a subsidiary	–	(1,389)
Write-off	–	(507)
Exchange realignment	(549)	(566)
At the end of the reporting period	11,440	10,175

The information about the exposure to credit risk and ECL for contract assets using a provision matrix as at 31 December 2024 are summarised below.

As at 31 December 2024

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowances HK\$'000	Credit- impaired	Net carrying amount HK\$'000
Business segment of environmental hygiene	0.04%	16,860	(6)	No	16,854

As at 31 December 2023

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowances HK\$'000	Credit- impaired	Net carrying amount HK\$'000
Business segment of environmental hygiene	2.49%	42,895	(1,069)	No	41,826

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

(a) Credit risk (*continued*)

Trade receivables and contract assets (continued)

The Group recognised reversal of loss allowance of HK\$1,049,000 (2023: provision of loss allowance of HK\$1,074,000) on contract assets during the year. The movement in the loss allowance for contract assets during the year is summarised below.

	2024 HK\$'000	2023 HK\$'000
At the beginning of the reporting period	1,069	–
(Decrease) Increase in allowance	(1,049)	1,074
Exchange realignment	(14)	(5)
At the end of the reporting period	6	1,069

Amount due from an associate

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has categorised the counterparties by common risk characteristics that are representative of the counterparties' financial abilities to repaid by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case.

The intermediate holding company of Dakun Zhifang controlled by Mr. Shi, has also confirmed in writing its intention to provide financial support to the associate in the next 12 months to the extent that is necessary to allow it to continue its business. In addition, the amount due from an associate is secured by investment properties of HK\$112,596,000 (2023: HK\$121,365,000) and land held for future development for sale of HK\$90,697,000 (2023: HK\$93,547,000) held by Dakun Zhifang.

After considering the above factors, the management assess that amount due from an associate have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of amount due from an associate to be insignificant, so no loss allowance was recognised during the year.

Other receivables

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has categorised the counterparties by common risk characteristics that are representative of the counterparties' financial abilities to repaid by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

After considering the above factors, the management assess that all of the other receivables have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of other receivables to be insignificant, so no loss allowance was recognised during the year. At the end of the reporting period, the Group recognised for bad debt of other receivables of HK\$136,000 (2023: reversal of provision for bad debt of HK\$3,204,000) as a result of settlement during the year.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

(a) Credit risk (*continued*)

Cash and cash equivalents

The credit risk on cash and cash equivalents and amounts is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

(b) Liquidity risk

Individual operating units within the Group are responsible for their own cash management. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet operational needs so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

The maturity profile of the financial liabilities and lease liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below.

	On demand or within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value HK\$'000
At 31 December 2024						
Trade payables	32,570	–	–	–	32,570	32,570
Other payables	39,296	–	–	–	39,296	39,296
Lease liabilities	11,869	11,027	21,485	11,376	55,757	46,360
	83,735	11,027	21,485	11,376	127,623	118,226

	On demand or within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value HK\$'000
At 31 December 2023						
Trade payables	30,071	–	–	–	30,071	30,071
Other payables	21,034	–	–	–	21,034	21,034
Lease liabilities	10,967	17,180	17,537	11,820	57,504	49,217
	62,072	17,180	17,537	11,820	108,609	100,322

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35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, “Fair Value Measurement” with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

Assets measured at fair value

	2024			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	75,984	–	–	75,984

	2023			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	74,783	–	–	74,783

During the years ended 31 December 2024 and 2023, there were no transfer between Level 1 and Level 2 fair value measurement, and no transfer into and out of Level 3 fair value measurements.

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For the year ended 31 December 2024

35. FAIR VALUE MEASUREMENTS (*continued*)

Assets measured at fair value (*continued*)

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the years ended 31 December 2024 and 2023 are as follows:

Movements in Level 3 fair value measurements

	Investment properties	
	2024	2023
	HK\$'000	HK\$'000
At the beginning of the reporting period	74,783	82,437
Addition	8,628	–
Disposal	–	(73)
Fair value change	(4,891)	(5,564)
Exchange adjustments	(2,536)	(2,017)
At the end of the reporting period	75,984	74,783

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value	Valuation techniques	Unobservable input	Range	Sensitivity of fair value to changes in unobservable inputs
Commercial premises for leasing to tenants – Mainland China	2024: HK\$75,984,000 (2023: HK\$74,783,000)	Investment approach	Capitalisation rates	9.5% (2023: 9.5%)	The higher the capitalisation rate, the lower the market value
			Prevailing market rents	Properties unit per sq.m. per month: RMB14 to RMB235 (2023: RMB15 to RMB159)	The higher the unit rent, the higher the market value
				Carpark unit per space per month: RMB190 to RMB500 (2023: nil)	

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35. FAIR VALUE MEASUREMENTS (*continued*)

Assets measured at fair value (*continued*)

Valuation processes of the Group

The fair values of assets and liabilities that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows and net asset value, are used to determine fair value for other assets and liabilities.

The carrying value less impairment provision of trade, rental and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

36. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes in managing capital during the years ended 31 December 2024 and 2023.

37. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 1% to 16% (2023: 1% to 16%) of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment, including right-of-use assets		350	208
Investments in subsidiaries	17	–	–
		350	208
Current assets			
Prepayments, deposits and other receivables		595	1,671
Amount due from immediate holding company		483	–
Amounts due from subsidiaries		400,783	558,610
Amounts due from a related party		8	8
Time deposits with original maturity over three months		–	10,529
Cash and cash equivalents		14,089	34,874
		415,958	605,692
Current liabilities			
Other payables		7,041	6,141
Amount due to immediate holding company		–	785
Amounts due to subsidiaries		99,518	53,998
Lease liabilities		–	216
		106,559	61,140
Net current assets		309,399	544,552
Net assets		309,749	544,760
Capital and reserves			
Share capital	27	64,610	64,610
Perpetual convertible securities	28	55,668	296,274
Reserves	38(a)	109,471	183,876
Perpetual bonds	30	80,000	–
Total equity		309,749	544,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (*continued*)

(a) Movements of the reserves

	Share capital HK\$'000	Share premium HK\$'000	Perpetual convertible securities HK\$'000	Accumulated losses HK\$'000	Perpetual bonds HK\$'000	Total HK\$'000
At 1 January 2023	64,610	635,756	296,274	(428,382)	-	568,258
Loss and total comprehensive loss for the year	-	-	-	(13,776)	-	(13,776)
Transactions with owners:						
<i>Contribution and distributions</i>						
Distributions to holders of perpetual convertible securities	-	-	-	(10,037)	-	(10,037)
Equity-settled share-based transactions	-	315	-	-	-	315
	-	315	-	(10,037)	-	(9,722)
At 31 December 2023 and 1 January 2024	64,610	636,071	296,274	(452,195)	-	544,760
Loss and total comprehensive loss for the year	-	-	-	(14,733)	-	(14,733)
Transactions with owners:						
<i>Contribution and distributions</i>						
Distributions to holders of perpetual convertible securities	-	-	-	(35,782)	-	(35,782)
Equity-settled share-based transactions	-	73	-	-	-	73
Redemption of perpetual convertible securities	-	-	(240,606)	(23,963)	-	(264,569)
Issuance of perpetual bonds	-	-	-	-	80,000	80,000
	-	73	(240,606)	(59,745)	80,000	(220,278)
At 31 December 2024	64,610	636,144	55,668	(526,673)	80,000	309,749

PARTICULARS OF PROPERTIES

Location	Approximate gross floor area (square meter)	Existing use	Lease term between the Group and the property owner	Attributable interest of the Group
Leasehold interests included in investment properties as right-of-use assets leased from property owners to earn rentals:				
Level 1 to Level 9 and Basement Level 1, Block 31, Fengshou Duhui, no. 325 of Jianshebeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區建設北大街 325號豐收都會31號樓1至9層及地下一層)	22,224.60	Commercial	20 years ending on 1 March 2030	100%
Units 4 to 5 on Level 1 to Level 3 and a portion of Unit 8 on Level 2 to Level 3, Block 2, Changan Huayuan, no. 80 of Jianshebeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區建設北大街80號 長安花苑2號樓1至3層 4至5號單位及2至3層8號部分單位)	1,958.00	Commercial	20 years ending on 6 August 2028	100%
Unit 6 on Level 1 to Level 3 and a portion of Unit 8 on Level 1, Block 2, Changan Huayuan, no. 80 of Jianshebeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區建設北大街80號 長安花苑2號樓1至3層6號單位及 1層8號部分單位)	1,967.00	Commercial	20 years ending on 6 August 2028	100%
Various retail units on Basement Level 1, Level 1 and Mezzanine Level, Xiangqingyuan, no. 69 of Huaian East Road, Qiaoxi District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市橋西區槐安東路69號 香晴苑負一層、一層及夾層多個零售單位)	5,063.99	Commercial	20 years ending on 28 February 2041	100%
673 Carparking Spaces of Basement Level 1 and Basement Level 2 of South Portion of Dongsheng Plaza, no. 508 of Zhongshan East Road, Changan District, Shijiazhuang City, Hebei Province, the PRC (中國河北省石家莊市長安區中山東路508號 東勝廣場南廣場地下一層及地下二層 機車停車場共673個車位)	35,300.00	Commercial	3 years ending on 28 February 2027	100%

PARTICULARS OF PROPERTIES

Location	Approximate gross floor area (square meter)	Existing use	Lease term between the Group and the property owner	Attributable interest of the Group
42 Retail Units on Level 1, Level 2 and Level 3, Ziyu Commercial Building (Also known as Gongyuanfang), no. 157 of Yuhua West Road, Qiaoxi District, Shijiazhuang City, Hebei Province, the PRC (中國河北省石家莊市橋西區裕華西路157號紫裕商務樓(又名為公元坊)之1至3層42個商業單位)	3,128.28	Commercial	3 years ending on 30 September 2027	100%
83 Carparking Spaces of Basement Level 1 of Ziyu Commercial Building (Also known as Gongyuanfang), no. 157 of Yuhua West Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC (中國河北省石家莊市橋西區裕華西路157號紫裕商務樓(又名為公元坊)之地下一層83個車位)	3,390.94	Commercial	3 years ending on 31 January 2027	100%

* denotes an English translation of the Chinese name for identification purpose only.

FIVE YEARS FINANCIAL SUMMARY

31 December 2024
(Expressed in HK\$)

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements is set out below:

RESULTS

For the year ended 31 December

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)
Continuing operations:					
Revenue	345,912	342,371	226,967	128,352	162,429
Profit/(loss) before taxation	53,046	41,723	24,980	(18,222)	(61,375)
Income tax	(4,168)	(3,754)	(3,223)	(5,669)	1,984
Profit/(loss) for the year	48,878	37,969	21,757	(23,891)	(59,391)
Discontinued operations:					
Profit for the year	–	–	6,158	3,157	14,465
Profit/(loss) for the year	48,878	37,969	27,915	(20,734)	(44,926)
Attributable to:					
Equity holders of the Company					
Continuing operations	49,114	33,499	23,661	(14,626)	(38,024)
Discontinued operations	–	–	6,158	4,218	14,465
	49,114	33,499	29,819	(10,408)	(23,559)
Non-controlling interests					
Continuing operations	(236)	4,470	(1,904)	(9,265)	(21,367)
Discontinued operations	–	–	–	(1,061)	–
	(236)	4,470	(1,904)	(10,326)	(21,367)
Profit/(loss) for the year	48,878	37,969	27,915	(20,734)	(44,926)

ASSETS AND LIABILITIES

As at 31 December

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	630,643	814,736	811,820	892,419	850,387
Total liabilities	(197,092)	(192,600)	(205,537)	(246,425)	(147,834)
Net assets	433,551	622,136	606,283	645,994	702,553
Attributable to:					
Equity holders of the Company	327,540	594,815	589,156	623,374	624,820
Perpetual bonds	80,000	–	–	–	–
Non-controlling interests	26,011	27,321	17,127	22,620	77,733
Total equity	433,551	622,136	606,283	645,994	702,553