ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 1064

ANNUAL REPORT 2024

Greetings to the birth of Giant Panda twins in Hong Kong

China presented the second pair of Giant Panda to the United States of America in 1972 (the first pair was presented in 1941), which initiated the "giant panda diplomacy" between China and the western world for about half a century.

The caption is a pair of coloured porcelain giant panda toothpick pots made in China in 1970's with genuine ivory skewers and mini condiment spoons handcrafted in Hong Kong in 1970's. The skewers are for picking pickles like vinegar marinated Chinese shallot and pickled cucumber and condiment spoons are for spooning table condiments like spicy salt and mustard.

A collection of the Zhong Hua group

港產大熊貓龍鳳胎出生誌慶

1972年中國向美國送贈第二對大熊貓（第一對送贈於1941年），開展了近半世紀中國與西方國家的"熊貓外交"序幕。

圖中為一對1970's中國製造彩釉熊貓牙籤筒，手工精緻，熊貓造型活潑生動，左右兩隻熊貓形態不同，釉彩迫真自然，為具鑑賞價值的民間工藝精品。牙籤筒內載有1970's香港手工精製真象牙籤子及味料小匙；籤子用以擷取餐前小食如酸蕎頭及漬青瓜等，小匙則用以舀取桌上味料如淮鹽及芥辣等，同樣手工精巧，為具收藏價值珍品。

中華國際集團藏品

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Ho Kam Hung

Non-Executive Director

Young Kwok Sui

Independent Non-Executive Directors

Tam Kong, Lawrence
Wong Kui Fai
Wong Miu Ting, Ivy

COMPANY SECRETARY

Lee Tao Wai *(CPA, BBA, LLM, MIM)*
(appointed on 9 October 2024)

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Central
Hong Kong

PRINCIPAL OFFICE IN MAINLAND CHINA

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Chiaotianmen
Chongqing

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISERS

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ReedSmith Richards Butler LLP
17th Floor One Island East
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18 Westlands Road
Quarry Bay
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As to Bermuda Law
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Hong Kong

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FWD Financial Centre
308 Des Voeux Road Central,
Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

COMPANY WEBSITE

https://www.irasia.com/listco/hk/zhonghua

LISTING AND STOCK CODE

The Main Board of The Stock Exchange of
Hong Kong Limited: 1064

FINANCIAL REVIEW

Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of HK$28,520,000 (2023: HK$28,363,000) for the year ended 31 December 2024. Net loss attributable to ordinary equity holders of the Company for the year was HK$46,133,000 (2023: HK$482,140,000). There were no material changes in the Group's turnover during the year.

Adjusted EBITDA

The Adjusted EBITDA of the Group for the year ended 31 December 2024 was profit of HK$1,612,000 (2023: HK$6,060,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes in fair value of investment properties, loss on derecognition of a then subsidiary and changes in fair value of equity interest in an entity at fair value through profit or loss. EBITDA is a commonly used alternate measure of profitability to net income. By excluding depreciation and amortisation as well as taxes and debt payment costs, EBITDA attempts to represent the cash profit generated by the Group's operations. On this ground, the Group also excluded additional non-cash items (namely (i) changes in fair value of investment properties; (ii) loss on derecognition of a then subsidiary; and (iii) changes in fair value of equity interest in an entity at fair value through profit or loss) that significantly affected the Company's net income that are non-cash in nature to achieve this goal in reviewing the Company's performance.

Net Loss

The Group's loss before tax and loss after tax for the year ended 31 December 2024 were HK$71,354,000 (2023: HK$1,739,488,000) and HK$78,668,000 (2023: HK$1,849,358,000), respectively. The Group's net loss decreased during the year was attributable to net effect of (i) there was no loss on derecognition of a then subsidiary this year compared with a loss of HK$1,708,355,000 last year; (ii) decrease in fair value loss of the Group's investment properties from HK$52,304,000 last year to HK$16,848,000 this year; (iii) fair value changes in equity interest in an entity of changes from gain of HK$16,252,000 last year to loss of HK$55,779,000 this year; (iv) increase in administrative expenses from HK$22,978,000 last year to HK$27,577,000 this year mainly due to increase in professional fees incurred of HK$4,381,000; and (v) decrease in income tax expenses from HK$109,870,000 last year to HK$7,314,000 this year mainly due to decrease in withholding taxes on PRC subsidiaries and equity interest in an entity at fair value through profit or loss of HK$108,132,000.

Liquidity and Financial Resources

During the year ended 31 December 2024, the Group's operations were financed mainly by cash flows generated from business operations. The Group's net cash flows used in operating activities during the year were HK$15,967,000 (2023: net cash flows from operating activities of HK$24,263,000). The net cash flows from operating activities changes from net inflows of HK$24,263,000 to net outflows of HK$15,967,000 was mainly due to the timing differences in collection of trade receivables of HK$20,859,000 as at 31 December 2024, which had been substantially collected subsequent to 31 December 2024.

As at 31 December 2024, the Group had cash and bank balances of HK$63,573,000 (2023: HK$90,761,000) which were denominated in Renminbi and Hong Kong dollars.

The Group's gearing ratio was 0.10 as at 31 December 2024 (2023: 0.10), calculated based on an amount due to a director of HK$140,882,000 (2023: HK$148,183,000) over total assets of HK$1,403,511,000 (2023: HK$1,496,606,000). The Group maintained a relatively low gearing ratio in the past years. The Group's financial resources are able to meet its capital expenditure and working capital requirements for coming twelve months from the date of this annual report.

The Group's exposure to interest rate fluctuation was minimal in current year and last year.

Assets

As at 31 December 2024, the Group's net current assets, net assets and total assets amounted to HK$20,289,000 (2023: HK$29,785,000), HK$978,126,000 (2023: HK$1,063,099,000) and HK$1,403,511,000 (2023: HK$1,496,606,000), respectively.

Exchange Rate Risk

The Group's principal operations are located in Mainland China while the financial statements of these operating subsidiaries are reported in Renminbi. The Company may expose to exchange rate risk when transactions and financial statements of these operating subsidiaries reported in Renminbi are consolidated to the Company's consolidated financial statements which are reported in Hong Kong dollars. The Group did not take measures such as execution of forward hedging or exchange swap instruments to hedge the potential impact arising from adverse currency fluctuation between Renminbi and Hong Kong dollars in the past years. Given the exchange rates between Renminbi and Hong Kong dollars were not fluctuated materially in the past years, the Group could reasonably assess the trend of exchange rates between the two currencies in order to reduce its adverse impact to the Company's consolidated financial statements as far as practicable.

Significant investments

As at 31 December 2024, the Group held equity interest in an entity at fair value through profit or loss of HK$974,673,000 (2023: HK$1,030,472,000), representing approximately 70% (2023: 69%) of the total assets of the Group. This investment is held by Zheng Da Real Estate Development Company Limited ("HK Zheng Da"), a 25% owned subsidiary of the Group and directly holds entire equity interest in 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da"), details of which are disclosed in the section headed "Business Review" below. Loss on fair value changes in equity interest in an entity of changes of HK$55,779,000 was recognised in the income statement for the year ended 31 December 2024 (2023: gain of HK$16,252,000). Save as disclosed above, the Group had no other significant investment of carrying value of 5% or more of the total assets as at 31 December 2024 (2023: Nil).

Charges on Assets

As at 31 December 2024, none of the Group's assets were pledged (2023: Nil).

Contingent Liability

As at 31 December 2024, there was no material contingent liability of the Group (2023: Nil).

FUND RAISING ACTIVITIES

On 15 April 2020, it was announced in the Company's announcement (the "New Issue Announcement") that the Company entered into a subscription agreement (the "Subscription Agreement") with Link Tide Investments Limited, a private company incorporated in the British Virgin Islands and an independent third party, in respect of subscription and issue of 108,000,000 new shares in the capital of the Company at an issue price of HK$0.15 per share pursuant to the Company's general mandate granted on 18 June 2019 (the "New Issue"). All conditions precedent as set out in the Subscription Agreement were satisfied and the New Issue was completed on 27 April 2020. Further details of the New Issue were disclosed in the New Issue Announcement.

The net proceeds raised from the New Issue applied up to 31 December 2024 are as follows:

Intended use of the net proceeds as stated in the New Issue Announcement			**Proceeds utilised as at 31 December 2024**	**Proceeds unutilised as at 31 December 2024**	
Category	**Net amount** *(HK$ in million)*	**Percentage**	**Net amount** *(HK$ in million)*	**Remaining amount** *(HK$ in million)*	**Expected schedule of use**
Redevelopment costs of redevelopment project in Guangzhou, Mainland China	12.0	74.5%	–	12.0	On or before 31 December 2025
General working capital	4.1	25.5%	4.1	–	
Total	**16.1**	**100.0%**	**4.1**	**12.0**	

Following the derecognition of GZ Zheng Da from the Group resulting in GZ Zheng Da not being regarded as a subsidiary of the Group, the board of directors of the Company (the "Directors") will consider if the intended use of proceeds of HK$12 million originally assigned for costs of the re-development project of GZ Zheng Da should be re-allocated for other purposes or not. Further announcement will be made once a decision is made by the Company.

The Group held the unutilised net proceeds in short-term deposits with banks as at 31 December 2024. Save as disclosed above, there was no unutilised proceed brought forward from any issue of equity securities made in previous years.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2024.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in property investment and management businesses in Mainland China. On an ongoing basis, the Group also explores investment and business development opportunities in "novel and quality productivity (新質生產力)" related projects.

Property Investment

The Group's property interest in Chongqing is situated at Chaotinmen, Yuzhong District, Chongqing (重慶市渝中區朝天門). Guang Yu Square (港渝廣場) is a 15-storey commercial building with a total gross floor area of about 49,400 square metres, out of which the Group owns portion of Basement, Levels 1 to 4, Levels 8 and 11 with total gross floor area of about 24,200 square metres. The property, which has been fully refurbished in 2016, is presently a multi-floor shopping mall focusing in wholesale and retailing of men's wear and footwear. There are about 50-70 shops per level with shop area ranging from 20–60 square metres per shop. Most shops are leased to unsolicited third parties for a term of about one year renewable automatically with prevailing market rental. The shopping mall (the floors owned by the Group) is almost fully occupied and shop turnover rate is maintained at an acceptable level. Given Chaotinmen has been one of the major clothing distribution points in Chongqing for nearby cities and the Three Gorges region (三峽地區) for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

For the year ended 31 December 2024, the Gang Yu Square provided a steady cash flow and substantiated the working capital requirements of the Group. As a result, the Group recorded an adjusted EBITDA of HK$1.6 million for 2024. Given the prime location of the investment property in the central business district (CBD) of Chongqing, the Directors will strive to enhancing the property's competitive advantages and is confident that it will continue to provide a relatively steady revenue to the Group in the foreseeable future.

Property Development

GZ Zheng Da, the Group's former subsidiary, has a property interest situated at Yuexiu District, Guangzhou (廣州市越秀區). The development site (previously named as Metropolis Shoes City (廣州大都市鞋城)) is located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里) in Yuexiu District which is within walking distance of about 3 minutes to the Old Hall (舊館) of the Canton Fair (廣州交易會), which was once the only export window in Mainland China before its Reform and Open Door Policy (改革開放政策) implemented in 1978 and within walking distance of about 5 minutes to the riverbank of the Pearl River (珠江), the icon of Guangzhou.

As to-date, except for one block of building remained not yet surrendered (尚未完成拆遷) and a few shops next to the premise continued to operate business as usual, the Metropolis Shoes City was demolished and the site to be developed was leased to a third party for licensed carpark operation.

Pending to the surrender of the last block of a 7-storey building being occupied by an individual owner (小業主), the re-development project is intended to be developed into a 22-storey versatile grade A commercial building complex with twin towers and 3-level of basement for wholesale and exhibition hall facilities, office and service apartment uses with ancillary facilities such as carpark and loading/unloading bays with total gross floor area of about 234,000 square metres.

According to the latest construction schedule (assuming the compulsory liquidation against GZ Zheng Da is rescinded and construction commences in the first quarter of 2026), it is expected that the development project will take about four years and be completed by two phases, the first of which will be completed in late 2028 and the second stage will be completed in first quarter of 2030. Subject to the grant of inspection and safety permits by the relevant regulatory authorities, it is expected that the new commercial complex will commence business and generate rental revenue to the Group at its earliest in early 2029.

Properties Held for Sale

GZ Zheng Da, the Group's former subsidiary, had a portfolio of about 190 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 11,000 square metres. These residential units were constructed in late 1990s for the purpose of interim resettlement of occupiers who surrendered their units to GZ Zheng Da for demolition of the development site in Yuexiu District but remained vacant or available-for-sale as at to-date.

Current Status of GZ Zheng Da

The registration status (登記狀態) of GZ Zheng Da per the official record registered at the Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局) (the "Administration for Market Regulation") remains as "Enterprise in Operation (in Business) (在營(開業)) as to-date and Ho Kam Hung, an executive Director, had been retaining as the authorised representative since its establishment in 1993.

Notwithstanding the New Liquidation Order (as defined and detailed below) is in force, GZ Zheng Da's operation is as usual and the demolition permit (房屋拆遷許可證) is renewed in December 2024 (renewable annually) to the effect that GZ Zheng Da is permitted to continue the demolition and relocation till December 2025. The re-development site is leased to a third party for licensed carpark operation. Further details of the re-development plan of GZ Zheng Da are disclosed in the section headed "Property Development" above.

The Directors would like to draw its shareholders' attention that:

(i) there was no change in the Group's effective interest (i.e., 25%) in HK Zheng Da, a non-wholly owned subsidiary of the Group (which in turn holds 100% interest in GZ Zheng Da) (a) before and after the derecognition of GZ Zheng Da from the Company's consolidated financial statements with effect on 15 May 2023; (b) as at 31 December 2024; and (c) as to-date;

(ii) HK Zheng Da, which held 100% equity interest in GZ Zheng Da, retained day-to-day operating and financing activities of GZ Zheng Da as to-date and HK Zheng Da would maintain such activities in GZ Zheng Da in the foreseeable future;

(iii) there was no change in the legal titles of the underlying assets of GZ Zheng Da (primarily two parcels of land pending for re-development and a portfolio of about 190 residential units) as to-date and any dispute (if any) to this by third parties would be subject to final and absolute outcome of legal proceedings (not at the sole discretion of the liquidator) which are expected to last for a couple of years at least; and

(iv) GZ Zheng Da's business remained usual as to-date and its operation would resume to normal in the foreseeable future.

LIQUIDATION PETITION AGAINST GZ ZHENG DA

Background of the "Liquidation Petition"

Background of the "Liquidation Petition" against GZ Zheng Da (a former subsidiary of the Group), which had been initiated since 2009, and the issue of its lawful authority were disclosed in the Company's annual report for the year ended 31 December 2023 (the "Annual Report 2023").

In brief, 廣州市越秀房地產開發經營有限公司 ("Yuefang PE"), which was neither the registered equity holder nor creditor of GZ Zheng Da, filed a questionable liquidation plead against GZ Zheng Da at the Guangdong Province Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") in January 2009 based on the ground that GZ Zheng Da had triggered the event of default of "company dissolution" (出現公司解散事由) but this event of default *(without prejudice)* had never been put forward to court for adjuration separately as required by law.

The developments of the "Liquidation Petition" against GZ Zheng Da since the Guangzhou Court granted a written judgement (民事裁定書) dismissing the "Liquidation Petition" pleaded by Yuefang PE in May 2021 are summarised below.

The Liquidation Dismissal Order

In May 2021, the Guangzhou Court issued a written judgement dismissing Yuefang PE's Liquidation Petition (the "Liquidation Dismissal Order (清算駁回裁定)") on the ground that "the two joint parties had major disputes whether or not GZ Zheng Da had been dissolved, regarding major assets of, and interests in the subject company, and such disputes had never been ascertained by trial or arbitration (雙方對於廣州正大是否發生解散事由、公司主要財產以及公司權益尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

GZ Zhang Da considered that the Liquidation Dismissal Order was the Guangzhou Court's rectification (自糾) which overturning its decision of appointing a liquidator in 2011. The said order also indicated that the court had not made a Ruling on Acceptance of Compulsory Liquidation (強制清算受理裁定) prior to the appointment of the liquidator. However, the Liquidation Dismissal Order still failed to account for the reasons why it took more than a decade to "dismiss a compulsory liquidation petition".

Yuefang PE submitted an appeal against the first instance ruling of the Guangzhou Court at the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") as permissible by law. A hearing was held in January 2022.

The Rescission Order

In May 2023 (i.e., exactly two years after the Liquidation Dismissal Order granted by the Guangzhou Court), the Guangdong Court issued a written decision revoking the Liquidation Dismissal Order and directing the Guangzhou Court to continue to proceed the case (i.e., Case No. 16) (the "Rescission Order (撤銷駁回裁定)").

In the Rescission Order, the Guangdong Court affirmed with the facts testified by the Guangzhou Court (對廣州市中院查明的事實予以確認) but was of the view that "the equity partners of GZ Zheng Da should disband in accordance with the liquidation procedures given their conflicts were significant and the co-operative objective had been lapsed for a prolonged period as well as the operational management had been in deadlock. The joint venture partners should proceed legal actions via the liquidation procedures to solving mutual disputes in specific assets allocation in accordance with their respective joint venture interests (廣州正大的股東之間矛盾分歧重大，合作目的早已落空，公司經營管理陷入僵局，應當通過清算程序有序退出。合作雙方對於合作權益具體分配等事項的相關爭議，應在公司清算程序中遁法律途徑解決)".

GZ Zheng Da considered that the Guangdong Court did not consider the following facts and legal arguments in the Rescission Order:

(i) there was dispute whether the operating period of GZ Zheng Da had been expired but this dispute had never been put forward to the court as a separate plead for trial in the past years since early 2009;

(ii) as a matter of fact, approval for extension of operating period had been no longer required by law since 2004;

(iii) the court's finding on the GZ Zheng Da's operating period issue is regarded as a court's affirmation (法院認定) but not a court's ruling (法院裁定). A former court's ruling can only be overturned by a later court's ruling but not by a court's affirmation;

(iv) Yuefang PE (assuming it took up the rights of 廣州市越秀房地產開發經營公司 ("Yuefang SoE") in GZ Zheng Da) is only a (promotor) shareholder ((發起人)股東) with 0% equity interest in GZ Zheng Da. A (promotor) shareholder is not entitled to exercise shareholder's rights by law as it does not invest capital into the company as an equity shareholder;

(v) Yuefang PE is not a "registered shareholder" (登記股東) of GZ Zheng Da and is prohibited from making plead against the subject company by law; and

(vi) there is no verification note in the Rescission Order that Yuefang PE had demonstrated at the court of its possession of an equity interest in GZ Zheng Da with absolute evidence on the date of making the liquidation plead. Only shareholder with proven equity interest (i.e. with proof of capital being paid) is entitled to plead compulsory liquidation against the subject company at court by law.

The New Liquidation Order

In August 2023, the Guangzhou Court initiated a new case number (i.e., Case No. 50) and granted a Decision on Appointment of Liquidator (指定清算組決定) (the "New Liquidation Order") appointing Guangdong Jinzhen Law Firm (廣東金圳律師事務所) ("Jinzhen Law Firm" or the "New Liquidator") as the new liquidator of GZ Zheng Da to conduct another compulsory liquidation against GZ Zheng Da.

It appeared that the Guangzhou Court initiated a new case but did not issue the "Ruling on Acceptance of Compulsory Liquidation (強制清算受理裁定)" before granting the New Liquidation Order. HK Zheng Da hence considered that the "Rescission Order" did not include the legal proceedings of the "Ruling on Acceptance of Compulsory Liquidation (強制清算受理裁定)" because the lower court still had the right to dismiss the compulsory liquidation petition based on new discoveries or other grounds during the proceedings.

Up to to-date, the Guangzhou Court has not yet provided the originals or copies of the "Application for the Liquidation Petition" (強制清算申請書) pleaded by Yuefang PE (including compulsory liquidation supporting documents, if any), the Ruling on Acceptance of Compulsory Liquidation for Case No. 16 (第16號案強制清算受理裁定書) (or the equivalent legally binding documents) and the Ruling on Acceptance of Compulsory Liquidation for Case No. 50 (第50號案強制清算受理裁定書) (or the equivalent legally binding documents) to GZ Zheng Da and HK Zheng Da. The reason is unknown.

In September 2023, the New Liquidator issued the "Receiver Notice" (接管公告) requesting the management of GZ Zheng Da to cooperate with the liquidator for handover of books of accounts, assets and official seals. GZ Zheng Da refused to co-operate with the work of the New Liquidator.

In September 2024, the New Liquidator issued the "Invalidation of Official Seal Announcement (印章作廢公告)" declaring that the official seal of GZ Zheng Da had been invalidated and expired from the date of acceptance of the compulsory liquidation by the court. The board of directors of GZ Zheng Da and HK Zheng Da (which held 100% of the equity interest of GZ Zheng Da) unanimously resolved that the Jinzhen Law Firm had no right to declare the official seal invalid and reserved their rights to pursue legal actions against Jinzhen Law Firm. So far, GZ Zheng Da still exchanges correspondences with various government departments and courts as usual.

As to-date, the Enterprise Credit Information Publicity Report (企業信用信息公示報告) for GZ Zheng Da shows:

(1) the registration status (登記狀態): in Operation (in Business) (在營 (開業));

(2) the liquidation information (清算信息): the liquidator, Guangdong Guoding Law Firm (廣東國鼎律師事務所), the former liquidator which should suspend its duties once the Liquidation Dismissal Order was granted in May 2021, (but not Jinzhen Law Firm); and

(3) the registered (promoter) shareholders (登記 (發起人) 股東): HK Zheng Da (100% equity interests) and Yuefang SoE (0% equity interests) (but not Yuefang PE).

The business of GZ Zheng Da continues to operate as usual.

Further information on the "Liquidation Dismissal Order", the "Rescission Order", the "New Liquidator Order" and the Group's management representation were disclosed in the Annual Report 2023.

Actions Taken in Response to the Rescission Order

The Group had taken the following actions in response to the Rescission Order:

(i) GZ Zheng Da has filed complaints and petitions (信訪) to the Guangdong Court and the Guangzhou Court about the prejudiced legal procedures against GZ Zheng Da uninterruptedly in the past years. The latest petition was made in February 2025.

(ii) In April 2024, HK Zheng Da, which held 100% equity interest in GZ Zheng Da, filed a writ at the Guangzhou Court to the effect, inter alia, that:

(a) to ascertain if 廣州市越秀國有資產經營有限公司 ("Yuexiu SoE") (the vendor of Yuefang SoE) retains Yuefang SoE's interest in GZ Zheng Da as a state-owned asset by law and if the *jural nexus* (法律關係) between Yuexiu SoE (the first defendant) and HK Zheng Da (the plaintiff) in the co-operative joint venture of GZ Zheng Da does substantiate; and

(b) to ascertain if the *jural nexus* between HK Zheng Da and Yuefang PE (the second defendant) in the co-operative joint venture of GZ Zheng Da does not substantiate.

In September 2024, the Guangzhou Court dismissed the pleads made by HK Zheng Da. HK Zheng Da has made an appeal with the Guangdong Court thereafter as permissable by law. The case was not yet heard.

(iii) Both GZ Zheng Da and HK Zheng Da confirmed with the Company that they would use their best endeavours to preserve their respective legal rights when the New Liquidator approached them, if any.

(iv) Both GZ Zheng Da and HK Zheng Da had been taking other administrative and practical actions to solve the said deadlock.

MANAGEMENT'S RESPONSE TO THE QUALIFIED AUDIT OPINION

It is noted that the Company's auditor issued a qualified audit opinion on the Company's consolidated financial statements for the year ended 31 December 2024 and the basis for qualified opinion is set out from pages 41 to 45 of this annual report.

Taking into account the facts and competent legal advice, together with legal grounds substantiated, the management of the Group (the "Management") contends that HK Zheng Da, a non-wholly owned subsidiary which holds 100% equity interest in GZ Zheng Da, shall have 100% entitlement to the residual assets of GZ Zheng Da pursuant to the terms of the joint venture agreement of GZ Zheng Da (as amended by supplemental agreements) under liquidation *(if it takes place and without prejudice)* and relevant PRC laws. However, there remains potential legal risk that Yuefang PE may claim for part of the residual assets of GZ Zheng Da based on its own basis of asset contribution made (if any) in the past. In any event, the Management remains optimistic in obtaining a favourable judgement if and when such potential disputes in specific asset allocation in accordance with the respective joint venture partners' interests are brought to legal proceedings. Such legal proceedings are not yet initiated to-date and the basis of claim, outcome and impact to the Group, if any, remain uncertainty to-date.

The Audit Committee of the Company (the "Audit Committee"), after reviewing the facts and information available to them and taking competent legal advice, endorses the views of the Management.

Further elaborations of the Management's actions taken against such potential claim(s) are disclosed above.

For the avoidance of confusion, the Management refers to the executive director and senior management of the Company.

MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition, details of which were disclosed in the Annual Report 2023. Latest development of the Acquisition (as defined in the Annual Report 2023) since 24 June 2024, the date of the Company's announcement pertaining to the latest extension agreement is summarised below.

Notwithstanding GZ Zheng Da, the underlying operating company of HK Zheng Da, has been frustrated by a questionable liquidation plead for years, the Company reiterates that the liquidation plead is not substantiated by both facts and law and hence is confident that the action would be inoperative or squashed by law in the foreseeable future (*say, about one year*). On this basis, the Group entered into a new extension agreement ("2024 Extension Agreement") on 24 June 2024 to further extend the Long Stop Date (as defined in the Annual Report 2023) to 30 June 2026 with an aim of arriving revised terms for the Acquisition (as defined in the Annual Report 2023). If a revised timetable is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowing, private-equity funding or a combination of the four kinds. If in case the Acquisition lapses on 30 June 2026, no party shall be liable to each other. Further details of the 2024 Extension Agreement were disclosed in the Company's announcement dated 24 June 2024.

MATERIAL LITIGATION

Following the derecognition of GZ Zheng Da from the Group in May 2023, and except for the litigation disclosed in the section headed "Actions Taken in Response to the Rescission Order" above, the Group did not engage in new litigation or had litigation outstanding during the year ended 31 December 2024 (2023: Nil).

OUTLOOK

Following the Trump Administration resumed power in the White House in January 2025, the new US President has imposed dozens of new policies on both political and economic arenas around the world to reframing the global order. In the first quarter of 2025, both the stock and commodities markets worldwide were volatile amid the Tariff War initiated by President Trump was kicked off between Canada, Mexico and the United States. It is premature to predict the development and impact of the Tariff War to the international trade globally as Trump's tariff terms are forever changing. The most encouraging outcome of Trump's initiatives, amongst others, will probably be the anticipated ceasefire between Russia and Ukraine if it crystalises this mid year.

In Mainland China, the Central Government has laid down new policies on stabilising both the property and stock markets as well as stimulating the domestic consumer market in her Working Report (工作報告) at the Two Sessions (兩會) in early March, Notwithstanding it is premature to evaluate the contributions of these new policies at this stage, the domestic market generally welcomes to the state's latest boosters and anticipates more intensive acts to follow. It is also generally perceived that the private sectors, particularly the AI and e-car sectors, will be much benefited as the People's Bank of China continues to ease the liquidity by lowering bank reserve ratio and interest rates. This year, the Central Government will continue to boost the foreign direct investment (FDI) in Mainland China. The Directors remain optimistic that the domestic economy in Mainland China will be on good track in the latter half year.

In Hong Kong, the record high financial deficit accumulated for the third consecutive years may shaken the financial stability of Hong Kong in the coming years unless the Administration can re-map new fiscal policies and city development plans to accommodate the new economic and geopolitical environment of Hong Kong. As the window city of the Greater Bay Area, the Administration continues to promote Hong Kong as the regional centre of family office in Asia and international interchange centre of AI integrated businesses as well as the super-connector (超級聯繫人) between China and rest of the world. Hong Kong will be able to remap its advantages at the junction of transformation to a new chapter of economy. The Directors fully support the Hong Kong Administration to govern in accordance with the Basic Law (全力支持香港特區政府依法施政).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 23 (2023: 20) employees. Total staff costs (including directors' remuneration) for the year under review amounted to HK$7,506,000 (2023: HK$7,055,000).

Remuneration policies are reviewed regularly by the Remuneration Committee and the Directors in respect of remuneration of the Directors and senior management of the Group. The Group values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees by offering competitive compensation packages comparable to market benchmark. In addition to the basic salaries, the Group provides staff benefits including medical insurance, contributions to the provident fund and participation of social insurance contribution plans organised by the local governments in the PRC. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also puts ongoing efforts to provide adequate trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment.

The Company operated a share option scheme (the "Share Option Scheme") which was lapsed on 18 December 2022. No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year. 5,000,000 share options granted under the Share Option Scheme remained unexercised as at 31 December 2024.

ANNUAL GENERAL MEETING

It is intended that the forthcoming annual general meeting of the Company will be held in June 2025.

Notice of annual general meeting of the Company and related circular to shareholders will be sent to the shareholders of the Company under separate cover.

Report of the Directors

The Directors have pleasure in presenting their report together with their audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 32 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the business of the Group, comprising a discussion and analysis of the performance of the Group during the year including analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred (if any) since the end of the year ended 31 December 2024, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Management Discussion and Analysis" on pages 3 to 14.

- "Financial Risk Management Objectives and Policies" in note 30 to the financial statements on pages 101 to 103.

- "Corporate Governance Report" on pages 24 to 32.

All such discussions form part of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in this annual report, the Directors are not aware of any principal risks and uncertainties of the Group.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2024 and the Group's financial position at that date are set out in the financial statements on pages 46 to 110, respectively, of this annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2024.

Report of the Directors

FIVE-YEAR GROUP FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from its audited financial statements, is set out on page 111 of the annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movement of the Company's share capital are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company did not have reserves available for cash distribution and distribution in specie. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$17,344,000, are distributable in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and supplier were as follows:

(i) the sales attributable to the Group's largest customer represented 100% of the Group's total sales for the year; and

(ii) the Group had no major supplier due to the nature of principal activities of the Group.

As far as the Directors are aware, neither the Directors, their respective close associates nor any substantial shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customers.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Director:

Ho Kam Hung

Non-Executive Director:

Young Kwok Sui

Independent Non-Executive Directors:

Tam Kong, Lawrence
Wong Miu Ting, Ivy
Wong Kui Fai

All non-executive Directors, including independent non-executive Directors, are appointed for a term of one year. In accordance with the Company's bye-laws, all of them shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the Company's annual general meeting.

In accordance with the Company's bye-laws, Young Kwok Sui and Wong Miu Ting, Ivy shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai, and regards these directors to be independent as at the date of this annual report.

Details of the profile of the Directors are set on page 40 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the Company's forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those disclosed in section headed "Connected Transactions" below and note 33 to the financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or any of the Company's subsidiaries was a party and in which a director nor a connected entity of a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 19 December 2012 and remained in force for 10 years from that date. The Share Option Scheme was lapsed on 18 December 2022. Further details of the Share Option Scheme are disclosed in note 24 to the financial statements.

No share options have been granted, exercised, cancelled or lapsed pursuant to the terms of the Share Option Scheme during the year. 5,000,000 share options granted under the Share Option Scheme remained unexercised as at 31 December 2024.

As at 1 January 2024 and 31 December 2024, there was no share option that was still available for grant under the Share Option Scheme. The number of shares that may be issued in respect of share options granted under the Share Option Scheme was 5,000,000, representing 0.65% of 768,616,520 shares in issue for the year. There was no share available for issue under the Share Option Scheme as at 31 December 2024 and the date of this annual report.

The movements in the share options granted, exercised and remained outstanding during the year are as follows:

	Number of share options							
Name or category of participant	At 1 January 2024	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2024	Date of grant of Share Options (note 1)	Exercise/ period of Share Options (note 1)	Exercise price of Share Options (note 2)
								HK$ per share
Former Non-Executive Director								
Lam Kuo	5,000,000	–	–	–	5,000,000	2-12-2022	3 years/ 2-12-2022 to 1-12-2025	0.09

Notes to the table of Share Option Scheme:

(1) The share options had been vested at the date of grant.

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(3) The closing price of the shares immediately before the date on which the share options were granted was HK$0.082 per share.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company (if any) in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and which were required to be entered into the register pursuant to Section 352 of the SFO, were as follows:

Name of director and chief executive	Capacity and nature of interest	Number of shares held		Percentage of the Company's share capital
		Long position	Short position	
Ho Kam Hung *(notes)*	Through controlled corporations	110,600,000	–	14.39
	Directly beneficially owned	7,000,000	–	0.91
		117,600,000	–	15.30

Notes:

Ho Kam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:

(i) 10,800,000 shares are held by Morcambe Corporation which is beneficially owned by him;

(ii) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest;

(iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest; and

(iv) 7,000,000 shares are directly held by him.

SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 31 December 2024, the following Director had interests in the non-voting deferred shares in certain subsidiaries of the Company:

Long position in shares of the associated corporations

Name of director and chief executive	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives held Long position	Short position	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Land Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13

All the above mentioned non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the relevant company, or to participate in any distribution on winding-up.

Save as disclosed above, as at 31 December 2024, to the best knowledge of the Company, none of the Directors or chief executive of the Company (if any) had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

CONNECTED TRANSACTIONS

The Company had the following connected transaction, details of which were disclosed in the Company's announcement dated 24 June 2024 as required pursuant to Rule 14A.35 of the Listing Rules:

On 24 June 2024, the Company entered into an extension agreement with the Vendors (as defined in page 107 of this annual report) to extend the dates of completion of the second, the third and the fourth tranches in relation to the Acquisition (as defined in page 107 of this annual report) from 30 June 2024 to 30 June 2026, while no deferred interest is required for the period of extension. Further details are disclosed in page 107 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transaction, details of which are disclosed as follows as required pursuant to Rule 14A.76(2) of the Listing Rules:

A license fee of HK$1,844,000 (2023: HK$1,793,000) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive Director. As at 31 December 2024, an amount due to the related company of HK$3,283,000 (2023: HK$1,438,000) was included in "Other Payables and Accruals" on the Company's consolidated statement of financial position. The continuing connected transaction under the licensing agreement constitutes a de minimis transaction pursuant to Rule 14A.76(2) of the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

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

As at 31 December 2024, to the best knowledge of the Company, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying share as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name of shareholders	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Ye Jia Li *(note 1)*	Interest of spouse	117,600,000	15.30
Ho Tsam Hung *(note 2)*	Through controlled corporations	105,600,000	13.74
Ho Pak Hung *(note 3)*	Through controlled corporations	99,800,000	12.98
Liang Gui Fen *(note 4)*	Interest of spouse	99,800,000	12.98
EC Fair Limited *(notes 2 and 3)*	Directly beneficially owned	87,120,000	11.33
Link Tide Investments Limited *(note 5)*	Directly beneficially owned	108,000,000	14.05
Guangshi Harvest Limited *(note 6)*	Through controlled corporation	108,000,000	14.05
China Guangshi International Investments Holdings Co., Ltd. *(note 7)*	Through controlled corporation	108,000,000	14.05
新疆光實含弘股權投資管理有限公司	Through controlled corporation	108,000,000	14.05
Strong Hero Holdings Limited *(note 8)*	Directly beneficially owned	100,000,000	13.01
Xie Xiaoxiang	Through controlled corporation	100,000,000	13.01

Notes:

1. Ye Jia Li is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Kam Hung, a Director.

2. Ho Tsam Hung is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 5,800,000 shares are held by Morgan Estate Assets Limited, which is beneficially owned by him;

   (ii) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest; and

   (iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

3. Ho Pak Hung, a director of certain subsidiaries of the Group, is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 87,120,000 shares are held by EC Fair Limited, in which he has 33 1/3% interest; and

   (ii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

4. Liang Gui Fen is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.

5. Link Tide Investments Limited is wholly-owned by Guangshi Harvest Limited.

6. Guangshi Harvest Limited is wholly-owned by China Guangshi International Investments Holdings Co., Ltd.

7. China Guangshi International Investments Holdings Co., Ltd. is wholly-owned by 新疆光實含弘股權投資管理有限公司.

8. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

Save as disclosed above, as at 31 December 2024, no person, other than the Directors, whose interests are set out in "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a wholesale and retailing premises operator in Mainland China, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution, sewage treatment and disposal of building debris in public domain. Compliance procedures are in place from time to time to ensure adherence to applicable laws, rules and regulations.

During the year under review, so far as the Directors are aware, the Group has generally complied with relevant laws and regulations that have significant impact on the operations of the Group. Moreover, the Management also brought attention to any latest changes in applicable laws, rules and regulations and reminded relevant employees and operation units from time to time.

Please refer to pages 33 to 39 of this annual report under the section headed "Environmental, Social and Governance Report" for further details.

RELATIONSHIP WITH EMPLOYEES

The Group is committed to establishing a close and caring relationship with its employees.

The Group provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Company's Bye-laws, all Directors or officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by them as Directors or officers of the Company in defending any proceedings, provided that no fraud or dishonesty were committed by the said persons.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this annual report, the Company maintained the prescribed amount of public float as required under the Listing Rules at all times up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group after the reporting period.

AUDITOR

Ernst & Young will retire at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Ho Kam Hung
Executive Director

Hong Kong
24 March 2025

Corporate Governance Report

This corporate governance report describes the Company's corporate governance practices and explains the application of the principles of the code provisions of the Corporate Governance Code (the "Governance Code") as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2024. The board of directors of the Company (the "Board") are of the view that the Company generally complied with the Governance Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for determining those matters that are to be retained for full board's sanctions including, but not limited to, overall strategy and long-term objectives, new business opportunities, business plans and financial statements, interim and final results, material acquisitions and disposal of assets, capital projects and commitment, cash flow projection and planning, funding and risk management policies, material litigations, connected transactions and corporate governance.

The Board delegates the day-to-day responsibilities in respect of management and administrative functions to the senior management of the Group including, but not limited to, implementing and achieving the strategies and objectives set by the Board as well as overseeing the performance of different operating subsidiaries, monitoring and implementing proper accounting system and internal control.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements, etc. It is also the management's practice to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group should strictly comply with relevant laws and regulations as far as practicable. The Board reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

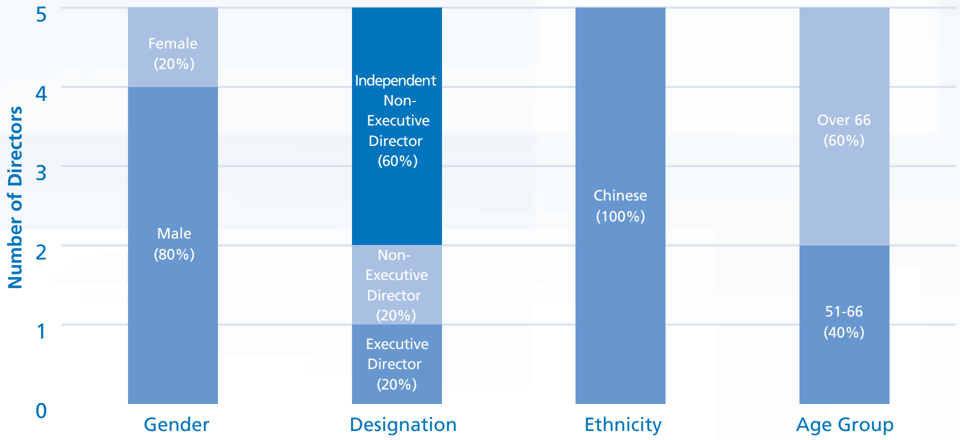
The Board perceived that gender or age diversity policy itself may constitute a kind of discrimination to certain extent. Hence, the Board would not pursue parameters for gender, age or ethnic diversity at the board level but always invite the most suitable candidates as new board members.

The following board skills matrix shows a breakdown of the diverse skills set of the Board.

Board Skills Matrix

Note: The Board comprises 5 Directors.

The following chart shows the diversity profile of the Board as at 31 December 2024:



As to-date, the Board comprises of five members, i.e., one executive Director, one non-executive Director and three independent non-executive Directors, all of them have been serving on board for more than 10 years.

The board members have no financial, business, family or other material/relevant relationship among themselves.

BOARD INDEPENDENCE

The Company recognises that board independence is key to good corporate governance. As part of the established governance framework, the Company has in place effective mechanisms that underpin a strong independent board and that independent views and input from the Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with market practice and effectiveness.

The current composition of the Board (more than one third independent non-executive Directors) and the Audit Committee (including all independent non-executive Directors) exceed the independence requirements under the Governance Code. The Audit Committee, the Nomination Committee and the Remuneration Committee are all chaired by independent non-executive Directors. The Company has set guidelines for selection, nomination and appointment/re-appointment process for Directors (including independent non-executive Directors). Fees to independent non-executive Directors are in the form of cash payment. None of independent non-executive Directors receives remuneration based on performance of the Group.

At the Company's annual general meeting held on 9 October 2024, the chairperson of the meeting declared that all three independent non-executive Directors had served on the board for more than nine years and elaborated further that both the Nomination Committee and the Board considered that the long service of the independent non-executive directors would not affect their exercise of independent judgement and were satisfied that they had the required character, integrity and experience to perform their respective duties as independent non-executive directors by providing objective views and independent guidance to the board. Wong Kui Fai, one of the three independent non-executive Directors, was re-elected upon retirement by rotation pursuant to the Company's bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE

The Governance Code stipulates that the roles of chairman and chief executive should be separated and exercised by different persons. In order to comply with this provision by spirit, board meetings and general meetings of the Company were chaired by non-executive Director or independent non-executive Directors by rotation at most of the time throughout the year under review. The Board considers that this practice is in line with the spirit of the Governance Code's practice.

Ho Kam Hung, being the Managing Director, is regarded as performing similar role as a chief executive officer.

NON-EXECUTIVE DIRECTORS

The terms of office of all non-executive Directors (including independent non-executive Directors), who are subject to earlier determination or retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws and/or applicable laws and regulations, are fixed for one year renewable automatically on an annual basis.

The Company received from each of its independent non-executive Directors confirmation of independence and considered that each of them was independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the provisions of the bye-laws of the Company, any director appointed by the Company either to fill a casual vacancy or as an addition to the Board shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. However, the Managing Director, though without a specified term, voluntarily retired and offered himself for re-election at the Company's annual general meetings in the past years. The Company considers that this practice is in line with the spirit of the Governance Code's practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code as its code of conduct regarding securities transactions by its directors. Having made specific enquiry to the Directors, the Company confirmed that the Directors had complied with required standards set out in the Model Code throughout the accounting period covered by the annual report.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at the Company's board meetings, committee meetings and general meeting during the year under review is set out as follows:

	Attended/Eligible to attend				
Name	Board meeting	Remuneration Committee meeting	Nomination Committee meeting	Audit Committee meeting	General meeting**
Executive Director					
Ho Kam Hung	8/8	1/1	1/1	N/A*	1/1
Non-Executive Director					
Young Kwok Sui	8/8	N/A	N/A	6/6	1/1
Independent Non-Executive Directors					
Tam Kong, Lawrence	8/8	1/1	1/1	6/6	1/1
Wong Miu Ting, Ivy	8/8	1/1	1/1	6/6	1/1
Wong Kui Fai	8/8	1/1	1/1	6/6	1/1

* Ho Kam Hung was not a member of the Audit Committee but attended meetings should circumstances necessitate.

** Being the annual general meeting of the Company held on 9 October 2024.

The Company kept full and paper record of board minutes. The Directors' views and discussions (in particular different views, if any) were recorded in board minutes.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the Governance Code on continuous professional development, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the year ended 31 December 2024, the Directors participated in the following trainings:

Name	Type of Training
Executive Director	
Ho Kam Hung	A
Non-Executive Director	
Young Kwok Sui	A
Independent Non-Executive Directors	
Tam Kong, Lawrence	A
Wong Miu Ting, Ivy	A
Wong Kui Fai	A

A: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

AUDIT COMMITTEE

The present members of the Audit Committee are comprised of three independent non-executive Directors, Wong Miu Ting, Ivy, as Chairperson, Wong Kui Fai and Tam Kong, Lawrence and one non-executive Director, Young Kwok Sui.

Terms of reference of the Audit Committee, which have been adopted in 2012, are posted in the Company's website. The main duties of the Audit Committee include, inter alia, reviewing the financial information of the Group and overseeing the Group's financial reporting system, internal control procedures, risk management, connected transactions, compliance with the Governance Code and meeting employees on reporting of possible improper acts in confidence.

During the year, the Audit Committee held six meetings with the Management and/or the Company's auditor to discuss, among others, the accounting principles and practices adopted by the Group, auditing agenda, internal control, risk management and financial reporting matters and the Company's compliance with the Governance Code.

The Audit Committee also reviewed the Group's interim results for the six months ended 30 June 2024 and annual results for the year ended 31 December 2024.

The publication of the consolidated results of the Group for the year ended 31 December 2023 was delayed by about three months. For the avoidance of re-occurrence of another delay for the publication of the Company's annual results for the year ended 31 December 2024, the Management had held regular meetings with the Audit Committee and/or the Company's auditor since August 2024 in order to keep them updated the latest development of the liquidation progress. The Board considered that regular working meetings were constructive and efficient as all parties could manage action plans on a timely manner. There was no delay of publication of the Company's preliminary results for the year ended 31 December 2024.

The Company's auditor issued a qualified audit opinion on the Company's consolidated financial statements for the second year in March 2025. Removal of qualified audit opinion is regarded as a risk management. The Board, in conjunction with the Audit Committee, will use their best endeavours to tackle the issues this year. Other than the actions taken in response to the Rescission Order as described in the "Management Discussion and Analysis" section of this annual report, the Board would closely work with its PRC professionals and advisers with an aim to either (i) set aside the Rescission Order; or (ii) identify the magnitude of the potential claim to be made (if any) by the liquidation petitioner (清算呈請人) as soon as practicable. The Board is confident that such information, if available, may help to provide sufficient audit evidence for auditor's assessment. The Board aims to achieve an unqualified audit opinion on the Company's consolidated financial statements for the year ending 31 December 2025 as priority risk management.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three independent non-executive Directors, Tam Kong, Lawrence, as Chairman, Wong Miu Ting, Ivy and Wong Kui Fai, and one executive Director, Ho Kam Hung.

Terms of reference of the Remuneration Committee, which have been adopted in 2012, are posted on the Company's website. The main duties of the Remuneration Committee include, inter, alia, determining remuneration policy for Directors and senior management and reviewing remuneration packages including performance-based remuneration.

During the year, the Remuneration Committee held one meeting to review the remuneration package of the Directors and senior management of the Company.

NOMINATION COMMITTEE

The Nomination Committee comprises of three independent non-executive Directors, Wong Kui Fai, as Chairman, Tam Kong, Lawrence, and Wong Miu Ting, Ivy and one executive Director, Ho Kam Hung.

Terms of reference of the Nomination Committee, which have been adopted in 2012, are posted on the Company's website. The main duties of the Nomination Committee include, inter alia, determining policy for nomination of directors and nomination procedures and criteria for selecting and nominating candidates for directorship.

All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to cultural, educational background, professional experience, skills, knowledge and length of service etc.

The responsibilities and authority for selection and appointment of Directors is delegated to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors rests with the Board. The final decision will be based on merits and contributions that the selected candidates will bring to the Board. The Nomination Committee will also consider recommendations for candidates proposed by shareholders of the Company. Regular reviews will be conducted by the Nomination Committee on the structure, size and composition of the Board and where appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

During the year, the Nomination Committee held one meeting to review the board composition and board diversity policy.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's internal control and through the Audit Committee, conduct periodic review on the effectiveness of such areas, covering internal control, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of such internal control system includes discussion with management on risk areas identified by management. The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against potential material misstatement or loss and to manage rather than eliminate risks of failure in operational system so that the Group's objectives can be achieved.

The Board also reviews if the Group has adequate resources, staff qualifications and experience, training programmes and financial reporting functions to meet the risk management needs.

The Company does not have an internal audit function as the Board is of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and simplicity of the Group's businesses. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the year under review. The Board considered that the Group's risk management and internal control was in order during the year under review.

WHISTLEBLOWING POLICY

In line with the commitment to achieve and maintain a high standard of openness, probity and accountability, the Directors expect and encourage employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice within the Group. In this regard, the Company has adopted the Whistleblowing Policy which aims to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them against unfair dismissal or victimisation for any genuine reports made. The Board delegated the authority to the Audit Committee which is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

ANTI-FRAUD AND ANTI-BRIBERY POLICY

In all its business dealings, the Group does not tolerate any form of fraud or bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Fraud and Anti-Bribery Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and promptly to seek guidance where necessary.

DIVIDEND POLICY

Dividends may be declared from time to time by the Company. The Company does not have any predetermined dividend pay-out ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account, among others, the general financial condition of the Group, the capital and debt level of the Group, the future cash requirements for new investments and business operations, business strategies and future development needs, the general market conditions and any other factors that the Board deems appropriate.

The payment of dividends by the Company is also subject to any restrictions as prescribed by the Company's bye-laws and any other applicable laws, rules and regulations.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that period. In preparing the financial statements for the year ended 31 December 2024, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for the year ended 31 December 2024.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

AUDITOR'S REMUNERATION

The Audit Committee has received confirmation from and discussed with the Company's auditor, Ernst & Young, on its independence and objectivity. During the year under review, the Audit Committee reviewed and approved Ernst & Young's statutory audit scope and fees proposal. For the year ended 31 December 2024, Ernst & Young charged HK$2,500,000 for statutory audit services.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for administrating the procedures and activities of the Board and its committees, and acting as the primary contact person among the Directors, shareholders, regulatory authorities and professional parties.

During the year ended 31 December 2024, Lee Tao Wai, the Company Secretary, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Board believes that effective communication with the shareholders on a timely basis is essential and endeavours to maintain an on-going dialogue with shareholders. The Board encourages shareholders to attend general meetings and all Directors should attend the annual general meeting to meet with their shareholders direct.

Procedures for Shareholders to convene a special general meeting

In accordance with the requirements and procedures set out in the Company bye-laws, one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to request a special general meeting ("SGM") to be called by the Board for the transaction of any business or resolution specified in such requisition and the Board shall set out the relevant proposals to be resolved in the agenda of the meeting according to the request of the requisitionists; and such meeting shall be held in the form of a physical meeting only and within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene such physical meeting in accordance with the provisions under the Companies Act 1981 of Bermuda, as amended from time to time.

Procedures for shareholders to put forward proposals at shareholders' meeting

If a shareholder wishes to put forward proposals at a SGM, he can deposit a written notice to that effect at the principal place of business of the Company in Hong Kong for the attention of the Company Secretary by email to admin@zhonghuagroup.com, fax to (852) 2559 0234 or mail to Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong. Whether a proposal will be put to a general meeting will be decided by the Board at its discretion unless the proposal put forward by a shareholder is pursuant to a requisition by a shareholder to convene a SGM by following the procedures set out above.

Procedures by which enquiries may be put to the Board

Enquiries and questions may be put to the Board by contacting either the Company Secretary through the Company's general line at (852) 2559 7200, e-mail to admin@zhonghuagroup.com, directly by raising questions at an annual general meeting or SGM or by post to the Company's registered office or its principal place of business in Hong Kong for the time being.

INVESTOR RELATIONS

The Board adopted a shareholders' communication policy to ensure that shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company which provide a forum for its shareholders to raise comments and exchange views with the Board; and (ii) updated company news and published announcements of the Group which are available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide a forum for communication between the Board and the shareholders of the Company. The chairmen and members of the Board and its committees, senior management and auditor of the Company are available to answer questions at the general meetings. Shareholders are encouraged to participate in general meetings to stay informed of the Company's businesses and communicate any concerns or inquires they may have to the Board.

The Company arranges for the notice to its shareholders to be sent at least 21 clear business days before each of the annual general meetings of the Company. Separate resolutions are proposed at annual general meeting on each substantially separate issue, including the re-election of each individual director.

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries by addressing them to the Company Secretary by post to the principal business address of the Company in Hong Kong (as disclosed in the section headed "Corporate Information" above) or by email to admin@zhonghuagroup.com.

CONSTITUTIONAL DOCUMENTS

The existing Company's bye-laws were adopted in August 2023 and no amendments had been made since then. The Company's legal advisers will review the Company's bye-laws so that they manage to cope with the latest legislative provisions and put forward for shareholders' approval at the forthcoming annual general meeting if amendments to be made.

INTRODUCTION

This environmental, social and governance ("ESG") report is prepared pursuant to Appendix C2 to the Listing Rules and serves as a summary of the Group's ESG management approach, strategies, priorities and objectives, and explains how these parameters relate to or affect the Group's business and operation.

ESG FRAMEWORK

ESG risks and opportunities are considered at the board level of the Group, with the Directors having overall responsibilities for determining the Group's ESG risks and ensuring reasonable but effective risk management and sound internal control system. The Directors guide the Management in setting goals and directions regarding ESG matters with reference to the Group's business objectives and operational models in practice. The Directors also evaluate the balance between the Group's operational efficiency and ESG compliance costs.

ESG EVALUATION

To achieve the aforesaid objectives, the Management presents an annual update at the first (or later) full board meeting of the Company to be convened every year. In the annual update, the report generally includes:

(i) the Group's ESG compliance performance during the previous year;

(ii) the Group's ESG non-compliance during the previous year (if any) with reasons and factors causing such non-compliance;

(iii) recommendations and revised policies and guidelines on ESG compliance proposed by the Management (if any) for implementation for current year; and

(iv) the ESG report for inclusion in the Company's annual report.

The Directors then review the ESG update submitted by the Management at board meeting and take the following actions:

(i) making comments and recommendations (if any) on revised ESG policies and guidelines proposed by the Management;

(ii) raising new or unidentified ESG risks and compliance requirements that may have potential impact to the Group's operation and financial performance (if any);

(iii) dialogue with the Management on ESG and other related matters;

(iv) adopting the new ESG policies and guidelines set by the Management for implementation for current year; and

(v) approving the content of the ESG report for inclusion in the Company's annual report.

Taking into consideration that the Trump Administration and most leading investment funds in the Wall Street have quitted from the ESG programme recently, the Directors will monitor if this trend will spread over the world and assess if the ESG compliance committed by the Group remains effective and helpful to the globe.

SCOPE AND LIMITATION

The Group is principally engaged in property investment and management businesses and has investment property in Chongqing, Mainland China. The Group's former subsidiary, GZ Zheng Da, also has a redevelopment project in Guangzhou. As at 31 December 2024, the Group operated a shopping mall in Chongqing and (via a former subsidiary) a redevelopment project in Guangzhou. The Group also maintained a corporate office in Hong Kong handling corporate, accounting and listing rules compliance matters. The total headcount of the Group was 23 as at 31 December 2024.

Taking into account of relatively small operational scale and headcount of 23, the Management has to balance the efforts and additional resources utilised for ESG management and its cost benefits and contributions to the communities.

The Management observes the principles of Materiality, Quantitative and Consistency as prescribed by Appendix C2 of the Listing Rules as far as practicable.

ENVIRONMENTAL ASPECTS

Emissions and use of resources

Given the nature of the Group's businesses, the impacts on the environment and natural resources would not be significant. In spite of this, the Management is committed to minimising its environmental impacts by responsibly managing its business operations, reducing its carbon footprint and using resources effectively. The Management has a good practice in implementing environmental friendly policies and observes, to a material extent, relevant laws and regulations about energy saving and environmental pollution imposed by the governmental bodies from time to time. For instance, being one of the ESG policies, all building and renovation materials, fixtures and furniture, electrical appliances replaced or newly installed are required to comply with the prevailing specifications and standards imposed by the relevant industrial institutions or governmental bodies.

This practice has been adopted by Guang Yu Square (港渝廣場) in Chongqing and Hong Kong corporate office for years.

The Management also implements sensible energy saving program and policies from time to time. For instance, most fluorescent tubes and tungsten light bulbs used in Guang Yu Square in Chongqing have been replaced with light emitting diode tubes and comparable energy saving lighting appliances a couple years ago. Due to the nature of its business, the Management perceives that hazardous waste and greenhouse gas emission (such as methane, nitrous oxide or sulphur hexafluoride) to be generated by shopping mall operation is minimal while water and fuel consumption waste is not a concern of shopping mall operation. There is limited energy saving lighting installed in the corporate office in Hong Kong because most lighting are provided by the landlord.

As shopping mall operator, the largest energy usage is the electricity charges for air-conditioning but not lighting. To reduce the electricity charges as well as carbon dioxide pollution, the Management has imposed strict temperature control policy for air-conditioning and ventilation operation in Guang Yu Square. The electricity charges for the corporate office in Hong Kong, however, cannot be reduced to a material extent because the air-conditioning system is in 24-hours operation preset by the landlord. Given the Group has completed most of its energy saving program a couple of years ago, the Management anticipates that there will be little room for further reduction of air, greenhouse, gas and light emission for coming years unless there are new technologies emerged.

ENVIRONMENT, NATURAL RESOURCES

The Management perceives that shopping mall operation will not have major hazard to the environment, natural resources and climate condition. No material non-compliance of environmental and pollution laws and regulations was reported in the past years.

The Management, however, recognises that construction activities usually consume significant amount of resources and result in considerable amount of emissions and wastes.

The Management is also committed to earmarking funds to be raised under the Green Finance Framework to fund in whole or in part of "eligible projects" for the re-development project in Guangzhou.

"Eligible projects" include:

Energy Efficiency – adoption of technologies, equipment and systems generating at least 10% improvement in energy efficiency or at 10% in energy reduction.

Renewable Energy – investment in solar power generation and solar water systems.

Pollution Prevention and Control – Expenditure relating wastewater treatment, dust pollution prevention and treatment, reduction, recycling and re-use of solid waste.

CLIMATE CHANGE

Governance

The Management addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. The Management also assesses long-term challenges, such as emerging ESG issues and climate-related risks and opportunities.

Strategy

Climate change risk forms part of the Group's overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. The Management assesses the overall level of risk by taking into consideration a range of diverse risk factors.

Risk Management

The Management identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones.

As outlined within this report, the Group has robust risk management and business planning processes that are overseen by the Directors in order to identify, assess and manage climate-related risks. The Management may engage with government and other appropriate organisations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

Significant climate-related issues

During the reporting period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact the Group's businesses, are as follows:

Climate-related risks description	Financial impacts	Steps taken to manage the risks
Physical Risk		
Acute physical risks • Increased severity and frequency of extreme weather events such as cyclones, floods and earthquakes. These have the potential to cause both idiosyncratic and systemic risks, resulting in potential damage to building structure and office equipment.	• Operating costs and repair expenses increase	• Planned to establish a natural disaster emergency plan.
Chronic physical risks • Changes in precipitation patterns and extreme variability in weather patterns. Frequent extreme weather events and rising sea levels are likely to pose disruptions to communities across the region in the long term, affecting economic output and business productivity. • Governments that have been pushing for new regulations to reduce GHG emissions will pose a threat to the financial performance of a business and increase regulatory risk.	• Revenue reduces • Operating cost increases	• Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increase climate resilience in the long term. • Engaged with local or national governments and local stakeholders on local resilience.

Climate-related risks description	Financial impacts	Steps taken to manage the risks
Physical Risk		
Transitional Risk		
Policy risk • Mandates on and regulation of existing services as of the tightened environmental and safety laws. The Group has to spend more compliance costs to update or maintain the office equipment to fulfil the new regulations.	• Operating cost increases	• Monitor the updates of the relevant environmental laws and regulations against existing services, to avoid the unnecessary increase in cost and expenditure due to non-compliance.
Legal risk • Exposure to litigation risk. The Group has to adapt to the tightened laws and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations.	• Operating cost increases	• Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance.
Market risk • More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preferences. • Inability to attract co-financiers and/or investors due to uncertain risks related to the climate.	• Revenue decreases • Operating cost increases • Service cost increases	• Fulfilled the climate-related regulations by the government. • Prioritise climate change as a high concern in the market decisions to show to the clients that the Group is concerned about the problem of climate change.
Reputational risk • Negative press coverage related to support of the Group's business projects or activities with negative impacts on the climate (e.g., GHG emissions and energy conservation), which may affect the Group's reputation and image.	• Revenue decreases • Operating cost increases	• Fulfilled the social responsibility to show how the Group places importance on climate change.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR STANDARDS

The Group only has headcount of 23 and most staff are ethnic Han (漢族) and have been serving the Group for over 10 years. Staff turnover rate was relatively low in the past. Given of such small workforce with long serving history and low staff turnover, it is not meaningful to provide gender, age and ethnic analysis.

The Management values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees. It is admitted that the Group's remuneration package is non-competitive with those packages offered by conglomerates or multi-national enterprises, but it delivers a fair, comfortable, caring and enjoyable work place to its staff.

Other than statutory labour terms and benchmark staff benefits, the Group offers additional fringe benefits to its staff like paid maternity, paternity and funeral leave, paid study and elderly care leave and professional training, overtime allowance and compensation, flexible office hours, free travel packages and bulk purchase discount on selective commodities and health care program.

The Group does not encourage its staff working overtime or late. The Group also provides allowances and insurance coverage for staff who requires overseas or cross-border travel. In addition, the Management respects equal opportunities and family status of its staff.

The Group is committed to upholding the elimination of all forms of forced and compulsory labour and supporting the effective abolition of child labour. All works should not be performed under threat of penalty or coercion and all employees may resign upon reasonable notice. Salary and benefits were given in accordance with applicable laws and regulations during the year.

The Management intends to explore the introduction of AI or robots for assisting routine office works and hygiene of shopping mall and evaluates its potential impact to staff efficiency and morale.

During the reporting periods, the Company was not aware of any non-compliance with relevant laws and regulations related to recruitment of child labour or forced labour practices.

HEALTH AND SAFETY

Although the Group's businesses are mainly office-based, the Management always places high priority on protecting the health and safety of the Group's employees. All premises under the Group's management do comply with the relevant building, fire, and environmental requirements imposed by the relevant laws and regulations from time to time. The Management conducts fire drill at Guang Yu Square and its corporate office in Hong Kong at least once per year. Besides, the Management spares an effort to implement health and safety measures as follows:

- Prompt actions are taken in case of any sub-standard performance.
- All applicable laws and regulations for health and safety, relevant standards and code of practice, and relevant recommendations issued by safety and health authorities are observed.
- Eligible employees are provided with medical and employment injury insurance.
- Work arrangement for extremely adverse weather warnings is established.

With the above measures implemented, there was no case of work-related fatal or serious accident reported during the year.

During the year, the Group was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on the Group in providing a safe and healthy working environment.

DEVELOPMENT AND TRAINING

The Management believes that the knowledge, skills and capabilities of its employees are vital to the Group's continued business growth and success. In view of this, the Management always encourages its staff to enroll professional, academic, vocational or healthcare related training courses.

The Management also organises in-house seminars and training courses for its directors from time to time. The Group grants subsidy to its staff for attending external professional and vocational training courses should circumstances necessitate.

SUPPLY CHAIN MANAGEMENT AND PRODUCT RESPONSIBILITY

Due to its business nature, the Group did not set up hard and fast rules for supply chain management and product responsibility. The Management always encourages its tenants and contractors to observe intellectual rights and product safety. The Management always respects fair trade contracts.

The Management regards service quality as one of the key competitive advantages of its business and makes every effort to improve the quality of services provided. The qualities of services are regularly assessed by the Management. In the event of receiving complaint, the Management will take prompt action to investigate the issue and carry out remedial action plans. During the year, the Management was not aware of any material non-compliance with the relevant laws and regulations related to service responsibility in Mainland China and Hong Kong.

ANTI-CORRUPTION AND ANTI-MONEY-LAUNDERING

Corruption refers to the abuse of entrusted power for private gain and can be instigated by individuals or organisations such as bribery, extortion, fraud and money laundering. The Management considers business ethics and integrity as utmost importance in corporate sustainable development and long-term success. Hence, the Management has set up stringent house guidelines about ethics and honesty, bribery, extortion, fraud, money laundering, national security and terrorism. Once a misconduct case is discovered and confirmed, the employee will be subject to disciplinary action. Besides, the case will be reported to the related regulatory body and law enforcement authority when necessary. No suspected fraud, bribery, extortion or money laundering case was reported during the year.

COMMUNITY INVESTMENT

As a socially responsible company, the Management is committed to understanding the needs of the communities in which it operates. The Management always dedicates its staff and resources to serve the community by means of donations, sponsorship, volunteer services, and organizing "kai fong" events within the community. In Mainland China, governmental endorsement (or no objection) is essential for hosting "kai fong" events.

The Management will continue its contributions to the sustainable development of the community in future by building a healthy and dynamic community.

Profile of Directors

DIRECTORS

Executive director

Ho Kam Hung, aged 69, has been appointed on 27 September 1996. He has over 30 years' experience in property investment and development, manufacturing, multinational trading and high-tech investments in Mainland China and Hong Kong. Mr. Ho has been enthusiastic in community services in Mainland China and is currently the Standing Committee of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)) as well as the vice presidents of Guangdong International Overseas Chinese Chamber of Commerce (廣東國際華商會) and Guangdong Chamber of Foreign Investors (廣東外商公會).

Non-executive director

Young Kwok Sui, aged 66, was appointed as an independent non-executive Director on 31 December 2002 and was re-designated as a non-executive Director on 16 March 2006. He holds bachelor degrees in laws and commerce awarded by the University of Canterbury, New Zealand. He is also a solicitor and barrister of the High Court of New Zealand. He has over 30 years' professional and commercial experiences in finance, corporate strategies and property sector.

Independent non-executive directors

Tam Kong, Lawrence, aged 80, was appointed on 15 December 2005 as an independent non-executive Director. He is a seasoned banking and finance professional. He is a member of the Chartered Governance Institute (formerly known as *the Institute of Chartered Secretaries and Administrators*), the United Kingdom, and holds a Post-Graduate Diploma in Management Studies from the University of Hong Kong and has completed the Pacific Rim Bankers Program at the University of Washington, Seattle, the United States of America.

Wong Miu Ting, Ivy, aged 63, was appointed on 15 December 2005 as an independent non-executive Director. She holds a Bachelor Degree in Accounting and Financial Management from Loughborough University, the United Kingdom. She is a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Wong has over 30 year, experience in auditing and business advisory. She also has experience in initial public offerings of various companies and has been providing financial advisory services to listed companies in relation to accounting, internal control and financial matters.

Wong Kui Fai, aged 68, was appointed on 1 December 2006 as an independent non-executive Director. He holds a Bachelor Degree in Actuarial Science from University of Kent, the United Kingdom. He has been in the information technology ("IT") field for over 30 years with regional exposure covering the Greater China region and the United States. He had served at senior management levels for a number of multinational e-commerce solutions corporations and IT investment companies with hands-on experience in operations, strategic planning and direct investments. Mr. Wong formerly was the General Manager of Microsoft Hong Kong Limited and is presently actively engaged in mergers and acquisitions of cross border IT investment projects. During the period from 24 September 2021 to 18 March 2022, Mr. Wong was an executive director of Winshine Science Company Limited which shares are listed on the Main Board of the Stock Exchange (stock code : 209).

To the shareholders of Zhong Hua International Holdings Limited
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 110, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of 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, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 13 to the consolidated financial statements, the Group had undergone a very lengthy liquidation petition where the joint venture partner ("JV Partner") of a then subsidiary, namely 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da", held by Zheng Da Real Estate Development Company Limited ("HK Zheng Da", a non-wholly owned subsidiary of the Group)), had filed to the court seeking for a liquidation of GZ Zheng Da in order to recover its entitled residual assets therein. During the year ended 31 December 2023, a final court decision was made which ordered GZ Zheng Da to be liquidated and a PRC law firm was appointed as the liquidator. However, pursuant to the court order, the allocation and distribution of residual assets of GZ Zheng Da between the Group and the JV Partner was not determined, and is to be resolved via legal actions during the liquidation proceedings.

Due to the compulsory liquidation judgement of GZ Zheng Da in May 2023, the Group had lost control therein, and had deconsolidated GZ Zheng Da in the same year. As at 31 December 2024, the Group recorded its equity interest in GZ Zheng Da as a non-current financial asset at fair value through profit or loss which amounted to HK$974,693,000. As further explained in note 13 to the consolidated financial statements, other than the appointment of the liquidator, the legal actions surrounding the liquidation proceedings have not been substantively commenced. Accordingly, the determination of the allocation of the residual assets of GZ Zheng Da has not been concluded. Whilst the Group contends that HK Zheng Da has full entitlement to the residual assets pursuant to the joint venture agreements, there are potential legal risks that the JV Partner may claim part of the residual assets based on its basis of assets contribution (if any) in the past.

BASIS FOR QUALIFIED OPINION (CONTINUED)

Due to the significant uncertainty of the outcome of the distribution of the residual assets upon liquidation, we were unable to obtain sufficient appropriate audit evidence to assess whether any additional residual assets should be allocated to the JV Partner, as at 31 December 2023 and 2024 (collectively, "dates of measurement") and, consequently, whether adjustments are necessary to the valuation of equity interest in GZ Zheng Da on the respective dates of measurement, which may impact the carrying amounts of the equity interest in an entity at fair value through profit or loss at 31 December 2024, and the fair value changes of this asset for the year ended 31 December 2024. Any adjustments as mentioned above found to be necessary would have a consequential effect on the Group's net assets as at 31 December 2024, its result for the year ended 31 December 2024 and the related elements making up the statement of changes in equity.

A qualified opinion was also issued in our report dated 28 June 2024 on the consolidated financial statements of the Group for the year ended 31 December 2023 for the above matter.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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 qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Fair value estimation of investment property	
As at 31 December 2024, the aggregate fair value of the Group's investment property was HK$339,624,000 which represented 24% of the Group's total assets. The estimation of fair value of investment property requires management's significant judgement. Management, on an annual basis, commissions external professional valuers to appraise the fair value of the Group's investment property, and determines the fair value of the property with reference to the valuation carried out by the external professional valuer. Related disclosures about the accounting estimation and the fair value measurement of investment properties are included in notes 3 and 14 to the consolidated financial statements, respectively.	We reviewed the objectivity, independence and expertise of the valuers commissioned by the Group and assessed the related data and assumptions being adopted, including unobservable inputs and other estimates, by comparing key valuation parameters including the capitalisation rate and unit price with market information. We involved our valuation specialists to assist us in reviewing the valuation methodologies and key valuation parameters on the fair value estimation of investment property. We also assessed the disclosures relating to the assumptions used in determining the fair value in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
24 March 2025

Consolidated Income Statement

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
REVENUE	*5*	**28,520**	28,363
Other income and gains		**330**	377
Changes in fair value of investment properties	*14*	**(16,848)**	(52,304)
Changes in fair value of equity interest in an entity at fair value through profit or loss	*13*	**(55,779)**	16,252
Loss on derecognition of a then subsidiary	*9*	**–**	(1,708,355)
Administrative expenses		**(27,577)**	(22,978)
Finance costs	*6*	**–**	(843)
LOSS BEFORE TAX	*7*	**(71,354)**	(1,739,488)
Income tax expense	*10*	**(7,314)**	(109,870)
LOSS FOR THE YEAR		**(78,668)**	(1,849,358)
Attributable to:			
Equity holders of the Company		**(46,133)**	(482,140)
Non-controlling interests		**(32,535)**	(1,367,218)
		(78,668)	(1,849,358)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
– Basic and diluted		**HK cents (6.00)**	HK cents (62.73)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
LOSS FOR THE YEAR	**(78,668)**	(1,849,358)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(6,305)**	(129,535)
Reclassification adjustments for derecognition of a then subsidiary *(note 9)*	**–**	20,469
Net other comprehensive expense that may be reclassified to the income statement in subsequent periods	**(6,305)**	(109,066)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(84,973)**	(1,958,424)
Attributable to:		
Equity holders of the Company	**(55,398)**	(498,156)
Non-controlling interests	**(29,575)**	(1,460,268)
	(84,973)	(1,958,424)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**3,103**	3,551
Equity interest in an entity at fair value through profit or loss	*13*	**974,693**	1,030,472
Investment property	*14*	**339,624**	369,600
Total non-current assets		**1,317,420**	1,403,623
CURRENT ASSETS			
Trade receivables	*16*	**20,859**	–
Prepayments, deposits and other receivables	*17*	**1,659**	2,222
Cash and cash equivalents	*18*	**63,573**	90,761
Total current assets		**86,091**	92,983
CURRENT LIABILITIES			
Trade payables	*19*	**(1,844)**	(1,914)
Other payables and accruals	*20*	**(28,426)**	(26,987)
Tax payable		**(35,532)**	(34,297)
Total current liabilities		**(65,802)**	(63,198)
NET CURRENT ASSETS		**20,289**	29,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,337,709**	1,433,408
NON-CURRENT LIABILITIES			
Due to a director	*21*	**(140,882)**	(148,183)
Long term other payables	*20*	**(52,767)**	(53,734)
Deferred tax liabilities	*22*	**(165,934)**	(168,392)
Total non-current liabilities		**(359,583)**	(370,309)
Net assets		**978,126**	1,063,099

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*23*	**19,215**	19,215
Reserves	*25*	**301,201**	356,599
		320,416	375,814
Non-controlling interests		**657,710**	687,285
Total equity		**978,126**	1,063,099

Ho Kam Hung
Director

Young Kwok Sui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 *(note 25)*	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 *(note 25)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2024	19,215	17,344	180	80,258	64,218	809	193,790	375,814	687,285	1,063,099
Loss for the year	–	–	–	–	–	–	(46,133)	(46,133)	(32,535)	(78,668)
Exchange differences related to foreign operations	–	–	–	–	(9,265)	–	–	(9,265)	2,960	(6,305)
Total comprehensive expense for the year	–	–	–	–	(9,265)	–	(46,133)	(55,398)	(29,575)	(84,973)
Transfer from retained profits	–	–	–	–	–	363	(363)	–	–	–
At 31 December 2024	19,215	17,344*	180*	80,258*	54,953*	1,172*	147,294*	320,416	657,710	978,126

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 *(note 25)*	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 *(note 25)*	Other reserve HK$'000 *(note 25)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	17,840	12,127	1,822	80,258	80,234	572	4,950	676,167	873,970	2,147,553	3,021,523
Loss for the year	–	–	–	–	–	–	–	(482,140)	(482,140)	(1,367,218)	(1,849,358)
Exchange differences related to foreign operations	–	–	–	–	(36,485)	–	–	–	(36,485)	(93,050)	(129,535)
Reclassification adjustments for derecognition of a then subsidiary (note 9)	–	–	–	–	20,469	–	–	–	20,469	–	20,469
Total comprehensive expense for the year	–	–	–	–	(16,016)	–	–	(482,140)	(498,156)	(1,460,268)	(1,958,424)
Transfer from retained profits	–	–	–	–	–	237	–	(237)	–	–	–
Issuance of shares *(note 23)*	1,375	5,217	(1,642)	–	–	–	(4,950)	–	–	–	–
At 31 December 2023	19,215	17,344*	180*	80,258*	64,218*	809*	–*	193,790*	375,814	687,285	1,063,099

* *These reserve accounts comprise the consolidated reserves of HK$301,201,000 (2023: HK$356,599,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(71,354)**	(1,739,488)
Adjustments for:			
Finance costs	6	**–**	843
Interest income	7	**(114)**	(239)
Depreciation of property, plant and equipment	7	**339**	298
Changes in fair value of investment properties	7	**16,848**	52,304
Changes in fair value of equity interest in an entity at fair value through profit or loss	7	**55,779**	(16,252)
Loss on derecognition of a then subsidiary	7	**–**	1,708,355
		1,498	5,821
Decrease/(increase) in trade receivables		**(21,253)**	11,828
Decrease/(increase) in prepayments, deposits and other receivables		**531**	(1,618)
Decrease in trade payables		**–**	(107)
Increase in other payables and accruals		**4,534**	9,158
Exchange differences on translation of foreign operations		**(51)**	(6)
Cash generated from/(used in) operations		**(14,741)**	25,076
Interest received		**114**	239
Overseas taxes paid		**(1,340)**	(1,052)
Net cash flows from/(used in) operating activities		**(15,967)**	24,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**–**	(477)
Derecognition of a then subsidiary	9	**–**	(98)
Net cash flows used in investing activities		**–**	(575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in an amount due to a director and net cash flows used in financing activities		**(8,455)**	(15,634)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(24,422)**	8,054
Cash and cash equivalents at beginning of year		**90,761**	84,874
Effect of foreign exchange rate changes		**(2,766)**	(2,167)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**63,573**	90,761
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**63,573**	90,761

1. CORPORATE INFORMATION

Zhong Hua International Holdings Limited (the "Company") was incorporated in Bermuda on 23 September 1997 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the principal office of the Company in Hong Kong was located at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company has not changed during the year and was investment holding. The principal activities of the Company's subsidiaries are set out in note 32 to the financial statements. There were no significant changes in the nature of the principal activities of the subsidiaries during the year.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and equity interest in an entity at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

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

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/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the income statement, including specified totals and subtotals. Entities are required to classify all income and expenses within the income statement into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Clarifications and Measurement of Financial Institutions* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Fair value measurement

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Buildings	3%
Leasehold improvements	20%
Equipment	20%
Computer and office equipment, furniture and fixtures	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the income statement when the right of payment has been established.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade payables, other payables and borrowings)

After initial recognition, trade payables, other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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 for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

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. With the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of these employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsides are required to make contributions for its eligible employees. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initial recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income tax

Deferred tax is provided using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As explained in note 22 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries and investee entities established in Mainland China in respect of ewarnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's subsidiaries and investee entities in the PRC that would be distributed to their respective holding companies or investors outside Mainland China in the foreseeable future. Management makes assessment based on the factors which included the dividend policy and level of capital and working capital required for the Group's operations in the foreseeable future.

The Group's investment properties at fair value in Mainland China are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group acquired 25% equity interest in Zheng Da Real Estate Development Company Limited ("HK Zheng Da") and its then wholly-owned subsidiary, namely 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") (collectively the "Zheng Da Group") in December 2007, and pursuant to a conditional sale and purchase agreement pertaining to the Zheng Da Group and related supplemental agreements executed thereafter (the latest of which was executed on 24 June 2024), the Group had the currently exercisable right to acquire the remaining 75% equity interest in HK Zheng Da anytime on or before 30 June 2026. In addition, a director of the Company and his associates, who are the beneficiary shareholders of the private company which holds the remaining 75% equity interest in HK Zheng Da and collectively are the largest shareholder of the Company, have given an undertaking to the Company that they would abide to all voting instructions proposed by the Group for all resolutions and decisions initiated and made at meetings of both shareholders and board of directors of HK Zheng Da. Accordingly, the Group considers that it controls HK Zheng Da even though it owns less than 50% of voting rights because the Group has (i) power over HK Zheng Da; (ii) exposure or rights to variable returns from its involvement with HK Zheng Da; and (iii) the ability to use its power over HK Zheng Da to affect the amount of its returns. On that basis, the directors of the Company considered it is appropriate to account for HK Zheng Da as a subsidiary of the Group with effect from 17 December 2007, the date of completion of acquisition of 25% equity interest in HK Zheng Da. Further details are given in note 32(c) to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value estimation of investment properties

In the absence of current prices in an active market for comparable properties, management considers information from a variety of sources, including:

(a) reference to independent valuations;

(b) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and

(c) recent prices of comparable properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurement and sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value measurement of equity interest in an entity at fair value through profit of loss

At 31 December 2024 and 2023, the equity interest in GZ Zheng Da has been classified as equity interest in an entity at fair value through profit or loss and has been valued based on a discounted future cash flows as detailed in note 13 to the financial statements. The valuation requires the Group to determine several significant unobservable inputs. The Group classifies the fair value measurement of this equity interest at Level 3. Further details are contained in note 13 to the financial statements.

Legal dispute

At 31 December 2024, the Group was subject to a potential legal claim in relation to disputes in specific assets allocation of GZ Zheng Da between the joint venture partners via the liquidation process of GZ Zheng Da. In determining whether part of the residual assets of GZ Zheng Da should be allocated to the PRC joint venture partner requires an estimation of probability that an outflow of resources embodying economic benefits is required for distributing the residual assets and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Except for those accounted for in the financial statements, no other allocation was considered necessary in the consolidated financial statements at the end of the reporting period. Disclosure of the dispute in respect of investment in GZ Zheng Da has been made in note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the property investment and development segment, which invests in properties for generating potential income from letting and sells properties located in Mainland China; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted profit/(loss) before tax from operations. The adjusted loss before tax from operations is measured consistently with the Group's loss before tax except that other income and gains and finance costs are excluded from such measurement. Segment assets exclude cash and cash equivalents as these assets are managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities and an amount due to a director as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property investment and development		Corporate and others		Total	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue *(note 5)*						
Sales to external customers	**28,520**	28,363	**–**	–	**28,520**	28,363
Segment results	**(51,108)**	(1,724,344)	**(20,576)**	(14,678)	**(71,684)**	(1,739,022)
Other income and gains					**330**	377
Finance costs					**–**	(843)
Loss before tax					**(71,354)**	(1,739,488)
Income tax expense					**(7,314)**	(109,870)
Loss for the year					**(78,668)**	(1,849,358)
Segment assets	**1,339,602**	1,405,505	**336**	340	**1,339,938**	1,405,845
Unallocated assets					**63,573**	90,761
Total assets					**1,403,511**	1,496,606
Segment liabilities	**71,513**	73,619	**11,524**	9,016	**83,037**	82,635
Unallocated liabilities					**342,348**	350,872
Total liabilities					**425,385**	433,507
Other segment information						
Depreciation of property, plant and equipment	**244**	250	**95**	48	**339**	298
Fair value loss of investment properties	**16,848**	52,304	**–**	–	**16,848**	52,304
Fair value loss/(gain) on equity interest in an entity at fair value through profit or loss	**55,779**	(16,252)	**–**	–	**55,779**	(16,252)
Loss on derecognition of a then subsidiary	**–**	1,708,355	**–**	–	**–**	1,708,355
Capital expenditure	**–**	–	**–**	477	**–**	477

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customer

Revenue from one customer which accounted for revenue exceeding 10% of Group's total revenue. Revenue from Customer A accounted for HK$28,520,000 (2023: HK$28,363,000) during the year ended 31 December 2024.

5. REVENUE

An analysis of revenue is as follows:

	2024 **HK$'000**	2023 HK$'000
Revenue from other sources		
Income from letting of investment properties	**28,520**	28,363

6. FINANCE COSTS

	2024 **HK$'000**	2023 HK$'000
Interest on loan from a director	**–**	843

7. LOSS BEFORE TAX

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

	2024 HK$'000	2023 HK$'000
Depreciation of property, plant and equipment *(note 12)*	**339**	298
Lease payments not included in the measurement of lease liability *(note 34(a))*	**1,639**	1,793
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries	**7,148**	6,679
Pension scheme contributions#	**358**	376
Total	**7,506**	7,055
Auditor's remuneration	**2,500**	1,920
Bank interest income	**(114)**	(239)
Changes in fair value of investment properties *(note 14)*	**16,848**	52,304
Changes in fair value of equity interest in an entity at fair value through profit or loss *(note 13)*	**55,779**	(16,252)
Loss on derecognition of a then subsidiary *(note 9)*	**–**	1,708,355

At 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange") (collectively the "Listing Rules"), Section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2024				
Executive Director				
Ho Kam Hung*	**2,400**	**–**	**36**	**2,436**
Non-executive Director				
Young Kwok Sui	**282**	**24**	**–**	**306**
Independent Non-executive Directors				
Tam Kong, Lawrence	**166**	**41**	**–**	**207**
Wong Miu Ting, Ivy	**166**	**41**	**–**	**207**
Wong Kui Fai	**166**	**41**	**–**	**207**
Subtotal	**498**	**123**	**–**	**621**
Total	**3,180**	**147**	**36**	**3,363**
2023				
Executive Director				
Ho Kam Hung*	2,400	–	36	2,436
Non-executive Director				
Young Kwok Sui	282	–	–	282
Independent Non-executive Directors				
Tam Kong, Lawrence	166	–	–	166
Wong Miu Ting, Ivy	166	–	–	166
Wong Kui Fai	166	–	–	166
Subtotal	498	–	–	498
Total	3,180	–	36	3,216

* Ho Kam Hung is the managing director of the Company, which has a similar capacity as a chief executive officer of the Company.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

The executive director of the Company is the key management personnel of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

9. DERECOGNITION OF A THEN SUBSIDIARY

In late June 2023, the Group acknowledged that the Rescission Order (撤銷駁回裁定) (as defined in note 13) as further detailed in note 13 was issued by the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") on 15 May 2023 to the effect of proceeding and granting the New Liquidation Order (as defined in note 13) against GZ Zheng Da by the Guangdong Province Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") on 7 August 2023. Accordingly, the directors of the Company considered that the Group lost the control over GZ Zheng Da under HKFRS 10 *Consolidated Financial Statements* with effect from 15 May 2023 and GZ Zheng Da was derecognised as a then subsidiary during the year ended 31 December 2023 and the equity interest in GZ Zheng Da was then classified as financial asset at fair value through profit or loss and was included as "Equity interest in an entity at fair value through profit or loss" on the consolidated statement of financial position.

	HK$'000
Net assets of GZ Zheng Da:	
Investment properties *(note 14)*	3,672,000
Properties held for sale	28,018
Cash and cash equivalents	98
Trade receivables	259
Prepayments, deposits and other receivables	10,744
Other payables and accruals	(35,147)
Tax payable	(45,361)
Due to a director *(note 26(c))*	(21,001)
Long term other payables *(note 26(c))*	(86,805)
Deferred tax liabilities *(note 22)*	(820,699)
Subtotal	2,702,106
Release of exchange fluctuation reserve	20,469
	2,722,575
Loss on derecognition of a then subsidiary *(notes 7 and (a))*	(1,708,355)
Satisfied by:	
Equity interest in an entity at fair value through profit or loss *(note 13)*	1,014,220

9. DEREGOGNITION OF A THEN SUBSIDIARY (CONTINUED)

An analysis of the net outflow of cash and cash equivalents in respect of the derecognition of a then subsidiary is as follows:

	2023 HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(98)
Net outflow of cash and cash equivalents in respect of derecognition of a then subsidiary	(98)

Note:

(a) A significant loss on derecognition of a then subsidiary was resulted mainly because of the differences between the fair value of the equity interest in GZ Zheng Da and the original carrying amounts of respective assets and liabilities of GZ Zheng Da.

The fair value of the equity interest in GZ Zheng Da was determined based on discounted net realisation value (i.e., discounted cash flow method from realisation of assets and settlement of liabilities of GZ Zheng Da). In determining the fair value of the equity interest in GZ Zheng Da, the board of directors of the Company had taken into account (i) the fair values of the underlying major assets with repossession discount and liabilities of GZ Zheng Da; (ii) relevant expenses, payments and tax for disposals of the assets, in particular, the properties, according to the prevailing tax rules and other relevant law and regulations; (iii) the timing to recover the investment; and (iv) the discount rate.

10. INCOME TAX

	2024 HK$'000	2023 HK$'000
Current – Mainland China		
Corporate income tax		
Charge for the year	**3,868**	5,114
Deferred *(note 22)*	**3,446**	104,756
Total tax charge for the year	**7,314**	109,870

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2023: 25%).

10. INCOME TAX (CONTINUED)

A reconciliation of the tax charge applicable to loss before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

	2024 **HK$'000**	2023 HK$'000
Loss before tax	**(71,354)**	(1,739,488)
Tax at the statutory tax rates	**(11,520)**	(289,849)
Expenses not deductible for tax	**3,493**	6,253
Loss on derecognition of a then subsidiary	**–**	281,879
Fair value loss/(gain) on equity interest in an entity at fair value through profit or loss	**9,204**	(2,682)
Effect of withholding tax at 10% on the distributable profits of PRC subsidiaries and a PRC entity	**6,137**	114,269
Tax charge at the Group's effective rate	**7,314**	109,870

Pillar Two income taxes

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted but not yet in effect as at 31 December 2024 in jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year and prior years 2023 and 2022. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group's effective tax rates in all jurisdictions in which it operates are above 15% and the directors of the Company are not currently aware of any circumstances under which they might change. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" taxes.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$46,133,000 (2023: HK$482,140,000), and the number of ordinary shares of 768,616,520 (2023: 768,616,520) outstanding during the year.

The share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the years ended 31 December 2023 and 2024.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
2024						
At cost:						
At 1 January 2024	**8,922**	**553**	**447**	**378**	**922**	**11,222**
Exchange realignment	**(323)**	**(8)**	**(10)**	**(6)**	**(16)**	**(363)**
At 31 December 2024	**8,599**	**545**	**437**	**372**	**906**	**10,859**
Accumulated depreciation:						
At 1 January 2024	**5,800**	**553**	**447**	**378**	**493**	**7,671**
Provided during the year	**244**	**–**	**–**	**–**	**95**	**339**
Exchange realignment	**(214)**	**(8)**	**(10)**	**(6)**	**(16)**	**(254)**
At 31 December 2024	**5,830**	**545**	**437**	**372**	**572**	**7,756**
Net book value:						
At 31 December 2024	**2,769**	**–**	**–**	**–**	**334**	**3,103**
2023						
At cost:						
At 1 January 2023	9,167	558	473	383	4,443	15,024
Addition	–	–	–	–	477	477
Write-off	–	–	–	–	(3,980)	(3,980)
Derecognition of a then subsidiary	–	–	(18)	–	(6)	(24)
Exchange realignment	(245)	(5)	(8)	(5)	(12)	(275)
At 31 December 2023	8,922	553	447	378	922	11,222
Accumulated depreciation:						
At 1 January 2023	5,707	558	473	383	4,443	11,564
Provided during the year	250	–	–	–	48	298
Derecognition of a then subsidiary	–	–	(18)	–	(6)	(24)
Write-off	–	–	–	–	(3,980)	(3,980)
Exchange realignment	(157)	(5)	(8)	(5)	(12)	(187)
At 31 December 2023	5,800	553	447	378	493	7,671
Net book value:						
At 31 December 2023	3,122	–	–	–	429	3,551

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS

The movements of the carrying amount of the Group's equity interest in GZ Zheng Da during the year are as follows:

	2024 **HK$'000**	2023 HK$'000
Financial asset at fair value through profit or loss		
Unlisted equity interest in an entity at fair value through profit or loss, at fair value:		
Carrying amount at 1 January	**1,030,472**	–
Derecognition of a then subsidiary *(note 9)*	**–**	1,014,220
Changes in fair value recognised in the income statement *(note 7)*	**(55,779)**	16,252
Carrying amount at 31 December	**974,693**	1,030,472

The management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved at least once a year or more frequently as needed.

The fair value of the Group's equity interest in an entity at fair value through profit or loss is estimated by using significant unobservable inputs. The fair value measurement is categorised under Level 3. On 31 December 2024, the fair values were determined based on discounted net realisation value (i.e., discounted cash flow method from realisation of assets and settlement of liabilities of GZ Zheng Da) which have taken into account (1) the fair values of the underlying assets and liabilities of GZ Zheng Da; (2) relevant expenses, payments and tax upon disposals of the assets, in particular, the properties, according to the prevailing tax rules and other relevant law and regulations; and (3) around five years to recover the investment. The discount rate applied to the cash flow projections is 3.6% (2023: 4.2%). Increase in the discount rate by 1% would result in decrease in its fair value as at 31 December 2024 by approximately HK$41,236,000 (2023: HK$48,055,000). Decrease in the discount rate by 1% would result in increase in its fair value as at 31 December 2024 by approximately HK$43,485,000 (2023: HK$50,903,000).

Independent qualified valuers, Vincorn Consulting and Appraisal Limited (2023: Vigers Appraisal and Consulting Limited) and Merryshine Surveyors Limited, were engaged to assist the management in the process to estimate the fair values of underlying investment properties and properties held for sale of GZ Zheng Da, respectively, based on recent market transactions and repossession discount. In estimating the fair values of these properties, the valuers assume the current use is the highest and best use of these properties. In addition, the management also has taken professional advices, including but not limited to legal advisors and other professional parties, as necessary, and follows their advices in the process of preparation of the above expected future cash flow assessment.

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The directors believe that the estimated fair values resulting from the above valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in consolidated income statement, are reasonable, and that they were the most appropriate values at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of key underlying assets of GZ Zheng Da:

			Weighted average/range of unobservable inputs	
	Valuation techniques	**Significant unobservable inputs**	**2024**	2023
Investment properties	Residual approach	Unit price per square metre	**HK$27,242 to HK$48,548**	HK$31,350 to HK$51,040
		Estimated cost to complete per square metre	**HK$6,890 to HK$9,434**	HK$7,095
		Repossession discount	**25%**	25%
Properties held for sale	Market approach	Unit price per square metre	**HK$12,020 to HK$13,547**	HK$13,860 to HK$15,620
		Repossession discount	**25%**	25%

Under the residual approach, fair value is estimated on the basis of the gross development value of the investment properties by reference to their development potential deducting various costs, such as construction cost, contingency cost, finance cost, marketing cost and professional fees that will be expended to complete the development as well as the developer's profit, to reflect the risks associated with the development of the investment property and the quality of the completed development. The gross development value is arrived at by making reference to the sales transactions or asking price evidence of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

Under the market approach, fair value is estimated based on comparing the property to be valued directly with other comparable properties, which have been recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Repossession discount is then applied to the fair value of the properties under both methods which is the price adjustment that might reasonably be expected to realise within a specified period from the sale of a property in the market under repossession on an "as is" basis.

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Liquidation Petition against GZ Zheng Da

The Liquidation Dismissal Order

In May 2021, GZ Zheng Da received a written judgement from the Guangzhou Court. The written judgement granted an order to the effect that the "Liquidation Petition" pleaded by 廣州市越秀房地產開發經營有限公司 ("Yuefang PE") was turned down (駁回強制清算申請裁定) (the "Liquidation Dismissal Order (清算駁回裁定)") on the ground that "the two joint venture parties had major disputes whether GZ Zheng Da had been dissolved, regarding major assets of, and interests in, the subject company, and such disputes had never been ascertained by trial or arbitration (雙方對於廣州正大是否發生解散事由、公司主要財產以及公司權益尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

In the Liquidation Dismissal Order,

(i) the Guangzhou Court ascertained that GZ Zheng Da remained "in operation (在業)" and HK Zheng Da held 100% equity interest in GZ Zheng Da. This statement affirmed that GZ Zheng Da, the appellee (被清算企業), remained undissolved and Yuefang PE, the applicant (清算呈請人), was not qualified to plead for compulsory liquidation in the capacity as an equity holder of GZ Zheng Da as at the date of plead (清算呈請日); and

(ii) as the ruling was not derived from an appeal lodged by the appellee, it indicated that the Guangzhou Court rectified (自糾) its earlier decision on appointing the liquidator (清算組) for GZ Zheng Da and admitted that such decision made was, among other things, not in accordance with then prevailing compulsory liquidation law and regulations for GZ Zheng Da.

Yuefang PE submitted an appeal against the Liquidation Dismissal Order at the Guangdong Court as permissible by law in August 2021. The appeal was heard at the Guangdong Court in January 2022. Ruling was made in May 2023, details of which are disclosed below.

The Rescission Order

In June 2023, GZ Zheng Da received a written judgement from the Guangdong Court. The written judgement granted an order to the effect that (i) the Liquidation Dismissal Order granted by the Guangzhou Court was rescinded (予以撤銷); and (ii) the Guangzhou Court was ordered to proceed the case (指令廣州市中院審理本案) (the "Rescission Order (撤銷駁回裁定)").

In the Rescission Order, the Guangdong Court concurred with the facts testified by the Guangzhou Court (對廣州市中院查明的事實予以確認) but was of the view that "the equity partners of GZ Zheng Da should disband in accordance with the liquidation procedures given their conflicts were significant and the co-operative objective had lapsed for a prolonged period as well as the operational management had been in deadlock. The joint venture partners should proceed legal actions via the liquidation procedures to solve mutual disputes in specific assets allocation in accordance with their respective joint venture interests (廣州正大的股東之間矛盾分歧重大，合作目的早已落空，公司經營管理陷入僵局，應當通過清算程序有序退出。合作雙方對於合作權益具體分配等事項的相關爭議，應在公司清算程序中遁法律途徑解決)".

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Liquidation Petition against GZ Zheng Da (continued)

The New Liquidation Notice

It appeared to the Company's attention that, inter alia, a public notice pertaining to the compulsory liquidation of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司強制清算公告) was posted by a third party named as "the Liquidator Group of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司清算組)" (the "New Liquidation Notice") in a public domain in Mainland China in August 2023. In the said notice, it was mentioned that the Guangzhou Court had appointed Guangdong Jinzhen Law Firm (廣東金圳律師事務所) (the "New Liquidator") as the liquidator of GZ Zheng Da (the "New Liquidation Order (新清算決定)") pursuant to a plead made by Yuefang PE and a proceeding (but not ruling) directive (審理(但不是裁定)) granted by the Guangdong Court.

The New Liquidator issued a receivership notice (接管公告) in September 2023 and a void of company seal notice (印章作廢公告) in September 2024. HK Zheng Da filed an appeal on the identity of the liquidation petitioner, Yuefang PE, in October 2024 at the Guangdong Court and the trial was not heard as to-date. Further details and actions in response to the Rescission Order and the New Liquidator's notices are disclosed in the section headed "Management Discussion and Analysis" in the Company's annual report for the year ended 31 December 2024.

Current Status of GZ Zheng Da

The registration status (登記狀態) of GZ Zheng Da per the official record registered at the Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局) remained as "Enterprise in Operation (in Business) (在營(開業))" as to-date and Ho Kam Hung, an executive director of the Company, had been retaining as the authorised representative (法定代表人) since its establishment in 1993.

Notwithstanding the New Liquidation Order is in force, GZ Zheng Da's operation is as usual and the demolition permit (房屋拆遷許可證) was renewed in December 2024 (renewable annually) to the effect that GZ Zheng Da was permitted to continue the demolition and relocation till December 2025. The re-development site was leased to a third party for licensed carpark operation. Further details of the re-development plan of GZ Zheng Da are disclosed in the section headed "Property Development" as disclosed in the heading named "Management Discussion and Analysis" in the Company's annual report for the year ended 31 December 2024.

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Liquidation Petition against GZ Zheng Da (continued)

Current Status of GZ Zheng Da (continued)

Taking into account the facts and legal grounds substantiated, and the opinion given by the PRC legal counsel and advisers of the Group, the directors of the Company remain optimistic in obtaining a favourable judgement if and when such potential disputes in specific assets allocation in accordance with the respective joint venture partners' interests were brought to legal actions during the liquidation process.

Whilst the Group, as substantiated by competent PRC legal advice, contends that HK Zheng Da shall have 100% entitlement to the residual assets of GZ Zheng Da under liquidation pursuant to the terms of the joint venture agreement of GZ Zheng Da (and as amended by supplemental agreements) and relevant PRC laws, there remains potential legal risk that Yuefang PE may claim for part of the residual assets of GZ Zheng Da based on its basis of assets contribution (if any) made in the past.

However, the related proceedings were not yet commenced up to the date of approval of these consolidated financial statements, which might lead to uncertainties on the extent and financial impact arising from such disputes (if taken place) on these consolidated financial statements of the Group.

14. INVESTMENT PROPERTY

	2024	2023
	HK$'000	HK$'000
Carrying amount at 1 January	**369,600**	4,274,112
Changes in fair value recognised in the income statement *(note 7)*	**(16,848)**	(52,304)
Derecognition of a then subsidiary *(note 9)*	**–**	(3,672,000)
Exchange realignment	**(13,128)**	(180,208)
Carrying amount at 31 December	**339,624**	369,600

At 31 December 2024 and 2023, the Group's investment property comprises a commercial property in Chongqing. With reference to the nature, characteristics and risk of these property, management determined that these properties should be classified as investment property.

The Group's investment property located in Chongqing, the PRC, was revalued on 31 December 2024 with reference to the valuations performed by Savills Valuation and Professional Services Limited, an independent qualified valuer, at RMB320,400,000, equivalent to HK$339,624,000 (2023: RMB336,000,000, equivalent to HK$369,600,000).

The management commissions qualified valuers to appraise the fair values of the Group's investment properties on an annual basis. Selection criteria for external valuers include market knowledge, reputation, independence and professional standards. The management also discusses with the valuers on the valuation assumptions and methodologies. In estimating the fair values of the properties, the valuers assume the current use is the highest and best use of these properties.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The fair values of the Group's investment property as at 31 December 2024 and 2023 are estimated by using significant unobservable inputs and the fair value measurements are categorised under Level 3.

	Chongqing, the PRC HK$'000	Guangzhou, the PRC HK$'000
Carrying amount at 1 January 2024	**369,600**	**–**
Changes in fair value recognised in the income statement	**(16,848)**	**–**
Exchange realignment	**(13,128)**	**–**
Carrying amount at 31 December 2024	**339,624**	**–**
Carrying amount at 1 January 2023	386,912	3,887,200
Changes in fair value recognised in the income statement	(7,104)	(45,200)
Derecognition of a then subsidiary	–	(3,672,000)
Exchange realignment	(10,208)	(170,000)
Carrying amount at 31 December 2023	369,600	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Class of property	Valuation techniques	Significant unobservable inputs	Weighted average of unobservable inputs	
			2024	2023
Chongqing, the PRC – Commercial properties, completed	Income capitalisation approach	Capitalisation rate per annum *(note 1)*	**8%**	8%

Note:

1. The higher the capitalisation rate per annum, the lower the fair value

Under the income capitalisation approach, fair value is estimated on the basis of capitalisation of estimated market rentals for the unexpired land use term. The estimated market rentals of the investment property are assessed and capitalised at a market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in the lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment property.

15. INVESTMENTS IN JOINT VENTURES

	2024 HK$'000	2023 HK$'000
Share of net assets	–	–

Particulars of the Group's joint ventures are as follows:

Name	Business structure	Place of incorporation and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
I-Mall Investments Limited	Corporate	British Virgin Islands ("BVI")	68.6	33.3	68.6	Dormant
B2B Market Investments Limited	Corporate	BVI	35.0	33.3	35.0	Dormant

All of the above investments in joint ventures are directly held by I-Action Agents Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of I-Mall Investments Limited and B2B Market Investments Limited because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. At 31 December 2024, the amount of the Group's unrecognised share of losses of these joint ventures was cumulatively HK$8,614,000 (2023: HK$8,614,000).

16. TRADE RECEIVABLES

An ageing analysis of the trade receivables at the end of the reporting period is as follows:

	2024 HK$'000	2024 Percentage	2023 HK$'000	2023 Percentage
Within 6 months	13,997	67	–	–
More than 6 months but within 1 year	6,862	33	–	–
Total	20,859	100	–	–

The Group generally grants a credit term of 3 months to 12 months to its customer.

The ageing of the Group's trade receivables is based on the date of recognition of revenue. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2024, the Group had a high concentration of credit risk that arose from the exposure to one customer which accounted for 100% of the Group's total trade receivables.

16. TRADE RECEIVABLES (CONTINUED)

The Group has applied the simplified approach to provide impairment of ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group considers the historical loss rate and adjusts for forward-looking information in calculating the expected credit loss rate. As at 31 December 2024, the Group estimated the expected loss rate of trade receivables was minimal and no ECL allowance (2023: Nil) in respect of these balances was made.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments	19	20
Deposits and other receivables	1,640	2,202
Total	1,659	2,222

None of the above deposits and other receivables was either past due or impaired at 31 December 2024 and 2023. The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2024, the Group estimated the loss rate of these balances was minimal and no impairment (2023: Nil) in respect of these balances was made.

18. CASH AND CASH EQUIVALENTS

At the end of the reporting period, total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$62,507,000 (2023: HK$87,249,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent publicly-known record of default.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2024		2023	
	HK$'000	**Percentage**	HK$'000	Percentage
More than 1 year	**1,844**	**100**	1,914	100

The ageing of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

20. OTHER PAYABLES AND ACCRUALS

	2024	2023
	HK$'000	HK$'000
Other payables	**39,799**	44,708
Accrued deferred interest on the Remaining Tranches in relation to the Acquisition *(note 32(c))*	**25,837**	25,837
Other accruals	**15,557**	10,176
Total	**81,193**	80,721
Less: Current portion	**(28,426)**	(26,987)
Non-current portion	**52,767**	53,734

The balances of other payables and accruals are non-interest-bearing and have no fixed terms of repayment, except for an amount of HK$52,767,000 (2023: HK$53,734,000) which is not repayable before 30 September 2026.

21. BALANCES WITH A DIRECTOR

As at 31 December 2024, the balance due to a director (the "Balance"), which is unsecured and interest-free, is due to Ho Kam Hung, a director of the Company. Ho Kam Hung has undertaken to the Company not to demand repayment of the Balance until the Group is able to generate sufficient cash inflows to meet its daily working capital requirement and in any event such repayment request will not be made on or before 30 September 2026 and, accordingly, the Balance is included under non-current liabilities.

The loan from a director, which was unsecured and bore interest at 2% per annum, was due to Ho Kam Hung, a director of the Company. It was reclassified to balance due to a director during the year ended 31 December 2023 (note 26(c)).

22. DEFERRED TAX

The movements in deferred tax liabilities/(assets) during the year were as follows:

Deferred tax liabilities

	Fair value adjustments on investment properties		Others		Withholding taxes on PRC subsidiaries and equity interest in an entity at fair value through profit or loss		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**46,265**	925,978	**8,888**	7,628	**113,239**	–	**168,392**	933,606
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(4,212)**	(13,076)	**1,521**	1,574	**6,137**	114,269	**3,446**	102,767
Derecognition of a then subsidiary *(note 9)*	**–**	(827,054)	**–**	(96)	**–**	–	**–**	(827,150)
Exchange realignment	**(1,605)**	(39,583)	**(351)**	(218)	**(3,948)**	(1,030)	**(5,904)**	(40,831)
Gross deferred tax liabilities at 31 December	**40,448**	46,265	**10,058**	8,888	**115,428**	113,239	**165,934**	168,392

22. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Land appreciation tax		Temporary differences of accruals		Total	
	2024 **HK$'000**	2023 HK$'000	**2024** **HK$'000**	2023 HK$'000	**2024** **HK$'000**	2023 HK$'000
At 1 January	–	(2,523)	–	(6,215)	–	(8,738)
Deferred tax charged to the income statement during the year *(note 10)*	–	–	–	1,989	–	1,989
Derecognition of a then subsidiary *(note 9)*	–	2,412	–	4,039	–	6,451
Exchange realignment	–	111	–	187	–	298
Gross deferred tax assets at 31 December	–	–	–	–	–	–

The Group has tax losses arising in Hong Kong of HK$156,000 (2023: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax, is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by those investees established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. At 31 December 2024, the aggregate amount of temporary differences associated with these investees in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$157,855,000 (2023: HK$339,926,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SHARE CAPITAL

	2024 HK$'000	2023 HK$'000
Authorised:		
4,000,000,000 (2023: 4,000,000,000) ordinary shares of HK$0.025 (2023: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
768,616,520 (2023: 768,616,520) ordinary shares of HK$0.025 (2023: HK$0.025) each	**19,215**	19,215

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 January 2023	713,616,520	17,840
Shares issued	55,000,000	1,375
At 31 December 2023, 1 January 2024 and 31 December 2024	768,616,520	19,215

On 9 January 2023, 55,000,000 shares were issued and allotted to the option holders for cash at a subscription price of HK$0.09 per share pursuant to the exercise of the share options as detailed in notes 24 and 25 to the financial statements. Amounts of HK$4,950,000 and HK$1,642,000 are transferred from other reserve and share option reserve to share capital and share premium of HK$1,375,000 and HK$5,217,000, respectively.

24. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 19 December 2012 (the "Scheme").

The purposes of the Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, executive and non-executive directors and others; (b) strengthen the relationships between the Group and its employees and directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate eligible participants to assist in the development and expansion of the Group.

The eligible participants are any executives or non-executive directors or employees (full-time or part-time) of any member of the Group and any other persons whether or not employees (full-time or part-time) or directors of any member of the Group who, in the sole discretion of the board of directors of the Company (the "Board"), have contributed or are likely to contribute to the Group.

24. SHARE OPTION SCHEME (CONTINUED)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board and may commence and end on any dates as determined by the Board but shall in any event end not later than 10 years from the date upon which the share option is granted.

The exercise price of the share options is determinable by the Board, but must be at least the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (2) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (3) the par value of the Company's shares.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

There is no movement in the Company's share options during the years ended 31 December 2024 and 2023.

55,000,000 share options exercised during the year ended 31 December 2022 resulted in the issue of 55,000,000 ordinary shares of the Company and raising new capital of HK$4,950,000 (before issue expenses), as further detailed in note 25 to the financial statements. These ordinary shares were issued on 9 January 2023, as further detailed in note 23 to the financial statements.

At as 31 December 2024, the Company had 5,000,000 share options outstanding under the Scheme. Exercise in full of the remaining share options, under present capital structure of the Company, would result in the issue of 5,000,000 additional ordinary shares of the Company and raising additional capital of HK$450,000 (before issue expenses).

The Scheme lapsed on 18 December 2022 but the outstanding share options would remain exercisable pursuant to the terms of the Scheme.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Share option reserve

The share option reserve comprises the value of share options granted which are yet to be exercised or exercised not yet capitalised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised and the respective shares are issued, or be transferred to retained profits should the related share options expire or be forfeited.

Contributed surplus

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserve

In accordance with the relevant regulations applicable in the PRC, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to the statutory reserve funds, which are non-distributable, before profit distributions to shareholders.

Other reserve

The balance at 1 January 2023 represented proceeds received from exercise of share options but the respective shares have yet been issued.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2023, interest on a loan from a director, Ho Kam Hung, of HK$843,000 was settled through the balance due to a director.

(ii) During the year ended 31 December 2024, a director fee of HK$2,400,000 (2023: HK$2,400,000) included in accruals was settled through the balance due to a director.

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 **HK$'000**	2023 HK$'000
Within operating activities	**(1,639)**	(1,793)

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Changes in liabilities from financing activities

	Due to a director HK$'000	Long term other payables HK$'000
At 1 January 2024	**148,183**	**53,734**
Changes in financing cash flows	**(8,455)**	**–**
Foreign exchange movement	**(1,246)**	**(967)**
Accruals *(note (a)(ii))*	**2,400**	**–**
At 31 December 2024	**140,882**	**52,767**

	Loan from a director HK$'000	Due to a director HK$'000	Long term other payables HK$'000
At 1 January 2023	72,297	113,915	146,003
Changes in financing cash flows	–	(15,634)	–
Foreign exchange movement	(1,279)	(3,358)	(4,744)
Derecognition of a then subsidiary *(note 9)*	–	(21,001)	(86,805)
Reclassification *(note 21)*	(71,018)	71,018	–
Interest expenses *(note 6) (note (a)(i))*	–	843	–
Reclassification to current other payable	–	–	(720)
Accruals *(note (a)(ii))*	–	2,400	–
At 31 December 2023	–	148,183	53,734

27. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, at the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2024 **HK$'000**	2023 HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**139**	139

28. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2023: two) directors, details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and benefits in kind	1,450	1,534
Pension scheme contributions	41	57
Total	1,491	1,591

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	3	3

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2024 HK$'000	2023 HK$'000
Trade receivables	20,859	–
Financial assets included in deposits and other receivables	1,640	2,202
Cash and cash equivalents	63,573	90,761
Total	86,072	92,963

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at fair value through profit or loss	
	2024	2023
	HK$'000	HK$'000
Designated as such upon initial recognition		
Equity interest in an entity at fair value through profit or loss	**974,693**	1,030,472

Financial liabilities

	Financial liabilities at amortised cost	
	2024	2023
	HK$'000	HK$'000
Trade payables	**1,844**	1,914
Financial liabilities included in other payables and accruals	**22,882**	22,091
Due to a director	**140,882**	148,183
Long term other payables	**52,767**	53,734
Total	**218,375**	225,922

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loan from a director, lease liability and cash and bank balances. The Group has various other financial assets and liabilities such as trade and other receivables, trade payables, other payables and accruals and amount due to a director, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December:

	2024				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	20,859	20,859
Financial assets included in deposits and other receivables					
– Normal**	1,640	–	–	–	1,640
Cash and cash equivalents					
– Not yet past due	63,573	–	–	–	63,573
Total	65,213	–	–	20,859	86,072

	2023				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,202	–	–	–	2,202
Cash and cash equivalents					
– Not yet past due	90,761	–	–	–	90,761
Total	92,963	–	–	–	92,963

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 16 to the financial statements.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The directors of the Company have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2024		
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	**1,844**	**–**	**1,844**
Financial liabilities included in other payables and accruals	**22,882**	**–**	**22,882**
Due to a director	**–**	**145,249**	**145,249**
Long term other payables	**–**	**54,402**	**54,402**
Total	**24,726**	**199,651**	**224,377**

	2023		
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	1,914	–	1,914
Financial liabilities included in other payables and accruals	22,091	–	22,091
Due to a director	–	151,888	151,888
Long term other payables	–	55,077	55,077
Total	24,005	206,965	230,970

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, which comprises share capital and reserves as detailed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is the amount due to a director divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2024 HK$'000	2023 HK$'000
Due to a director	**140,882**	148,183
Total non-current assets	**1,317,420**	1,403,623
Total current assets	**86,091**	92,983
Total assets	**1,403,511**	1,496,606
Gearing ratio	**0.10**	0.10

31. 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:

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**284,315**	310,664
CURRENT ASSETS		
Deposits and other receivables	**18**	18
Cash and bank balances	**25**	1,044
Total current assets	**43**	1,062
CURRENT LIABILITIES		
Other payables and accruals	**(8,353)**	(5,317)
Tax payable	**(1,148)**	(1,148)
Total current liabilities	**(9,501)**	(6,465)
NET CURRENT LIABILITIES	**(9,458)**	(5,403)
TOTAL ASSETS LESS CURRENT LIABILITIES	**274,857**	305,261
NON-CURRENT LIABILITIES		
Long term other payables	**(27,141)**	(27,141)
Due to a director	**(23,646)**	(23,646)
Total non-current liabilities	**(50,787)**	(50,787)
Net assets	**224,070**	254,474
EQUITY		
Share capital	**19,215**	19,215
Reserves *(note)*	**204,855**	235,259
Total equity	**224,070**	254,474

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2024	**17,344**	**547,326**	**180**	**–**	**(329,591)**	**235,259**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(30,404)#**	**(30,404)**
At 31 December 2024	**17,344**	**547,326**	**180**	**–**	**(359,995)**	**204,855**
At 1 January 2023	12,127	547,326	1,822	4,950	(172,351)	393,874
Loss and total comprehensive expense for the year	–	–	–	–	(157,240)#	(157,240)
Issuance of shares *(note 23)*	5,217	–	(1,642)	(4,950)	–	(1,375)
At 31 December 2023	17,344	547,326	180	–	(329,591)	235,259

Loss for the year during the year ended 31 December 2024 included impairment for amounts due from subsidiaries of HK$13,967,000 (2023: HK$145,105,000).

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registrationand business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company 2024	2023	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited	BVI/Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	PRC/Mainland China	US$2,000,000 Registered capital *(Note a)*	**100**	100	Property investment and management
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note b)*	**100**	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/Mainland China	HK$1,500,000 Registered capital *(Note a)*	**100**	100	Inactive
HK Zheng Da	Hong Kong	HK$4 Ordinary *(Note c)*	**25**	25	Investment holding

The above table lists the subsidiaries of the Company at 31 December 2024 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

a. CQ Smart Hero, 廣州遠朋天成電子科技有限公司 and GZ Zheng Da are wholly-foreign-owned enterprises established in the PRC.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the subject company, or to participate in any distribution on winding-up.

c. The Group entered into a conditional sale and purchase agreement on 9 October 2007 (as amended on 26 October 2007) (the "Acquisition Agreement") with two private companies (the "Vendors") to acquire the entire equity interest in HK Zheng Da (the "Acquisition"). The acquisition of the entire equity interest in HK Zheng Da was to be completed in four tranches. The first tranche was completed on 17 December 2007 and, as a result, the Group acquired a 25% equity interest in HK Zheng Da. According to the Acquisition Agreement and related supplementary agreements executed thereafter (the latest during the year of which was executed on 24 June 2024), the Group had the currently exercisable right to acquire the remaining 75% equity interest in HK Zheng Da anytime on or before 30 June 2026 as further discussed below. In addition, a director of the Company and his associates, who are the beneficiary shareholders of the private company, which holds the remaining 75% equity interest in HK Zheng Da, and collectively are the largest shareholder of the Company, have given an undertaking to the Company that they would abide to all voting instructions proposed by the Group for all resolutions and decisions initiated and made at meetings of both shareholders and board of directors of HK Zheng Da. Accordingly, the Group considers that it controls HK Zheng Da even though it owns less than 50% of voting rights because the Group has (i) power over HK Zheng Da; (ii) exposure or rights to variable returns from its involvement with HK Zheng Da; and (iii) ability to use its power over HK Zheng Da to affect the amount of its returns. On this basis, the directors of the Company considered it is appropriate to account for HK Zheng Da as a subsidiary of the Group with effect from 17 December 2007, the date of completion of acquisition of 25% equity interest in HK Zheng Da.

   In accordance with the Acquisition Agreement, the second, third and fourth tranches (the "Remaining Tranches") had to be completed on or before 31 May 2008, 31 October 2008 and 31 March 2009, respectively. Should the Remaining Tranches not be completed according to the dates specified above, a deferred interest would be incurred which was calculated based on a rate of 4% per annum on the relevant consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant consideration was settled by the Company or 31 March 2009, whichever the earlier. At the end of the reporting period and up to the date of this report, the completion of the Remaining Tranches remained outstanding and the accrued aggregated deferred interest in aggregate of HK$25,837,000 (2023: HK$25,837,000) (note 20) remained unsettled.

   During the current reporting period, the Company entered into an extension agreement on 24 June 2024 to extend the completion of the Remaining Tranches from 30 June 2024 to 30 June 2026. No deferred interest was required for the period of extension.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2024	2023
Percentage of equity interest held by non-controlling interests	**75%**	75%

	2024 **HK$'000**	2023 HK$'000
Loss for the year allocated to non-controlling interests	**(32,535)**	(1,367,218)
Dividends paid to non-controlling interests	**–**	–
Exchange differences on translation of foreign operation	**2,960**	(93,050)
Accumulated balances of non-controlling interests at the reporting date	**657,710**	687,285

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2024 **HK$'000**	2023 HK$'000
Loss for the year	**(43,380)**	(1,822,957)
Total comprehensive expense for the year	**(39,433)**	(1,947,024)
Current assets	**786**	787
Non-current assets	**974,693**	1,030,472
Current liabilities	**(1,664)**	(1,640)
Non-current liabilities	**(96,868)**	(113,239)
Net cash flows from/(used in) operating activities	**(24)**	23,898
Net cash flows from/(used in) financing activities	**24**	(24,042)
Net decrease in cash and cash equivalents	**–**	(144)

33. RELATED PARTY TRANSACTIONS

In addition to the guarantee, related party transactions and balances with related parties as detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) The Group incurred an interest expense of HK$843,000 in respect of a loan from a director, Ho Kam Hung, during the year ended 31 December 2023. Details of a loan from a director were disclosed in note 21 to the financial statements.

(b) A license fee of HK$1,844,000 (2023: HK$1,793,000) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive director of the Company. As at 31 December 2024, an amount due to the related company of HK$3,283,000 (2023: HK$1,438,000) was included in "Other payables and accruals" on the consolidated statement of financial position.

The above transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules and its details are disclosed in the report of the directors. The directors are of the opinion that the transaction was conducted in the ordinary course of business of the Group.

34. LEASES

The Group as a lessee

The Group had a lease contract for an office premise in Hong Kong used in its operations. It had a lease term of less than 12 months. The lease was further discussed below:

(a) The amounts recognised in income statement in relation to the lease were as follows:

	2024 **HK$'000**	2023 HK$'000
Expense relating to short-term leases and total amount recognised in the income statement (included in administrative expenses) *(note 7)*	**1,639**	1,793

(b) The total cash outflow for lease was disclosed in note 26(b) to the financial statements.

The Group as a lessor

The Group leases its investment property (note 14) consisting of one commercial property in the PRC under operating lease arrangements with a term of one year (2023: one year). The terms would provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$28,520,000 (2023: HK$28,979,000), details of which are included in note 5 to the financial statements.

At the end of the reporting period, the Group had no undiscounted lease payments receivable in future periods under non-cancellable operating leases with its tenants.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2025.

Five-Year Group 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 respective published audited financial statements and as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**28,520**	28,363	30,283	57,670	24,423
Profit/(loss) before tax	**(71,354)**	(1,739,488)	54,950	59,109	(440)
Income tax expense	**(7,314)**	(109,870)	(20,900)	(28,128)	(4,498)
Profit/(loss) before non-controlling interests	**(78,668)**	(1,849,358)	34,050	30,981	(4,938)
Non-controlling interests	**32,535**	1,367,218	(30,777)	(24,170)	(1,638)
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**(46,133)**	(482,140)	3,273	6,811	(6,576)
Adjusted EBITDA*	**1,612**	6,060	7,447	29,301	1,575

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,403,511**	1,496,606	4,415,959	4,727,091	4,564,165
TOTAL LIABILITIES	**(425,385)**	(433,507)	(1,394,436)	(1,503,715)	(1,451,973)
NON-CONTROLLING INTERESTS	**(657,710)**	(687,285)	(2,147,553)	(2,286,206)	(2,206,224)
	320,416	375,814	873,970	937,170	905,968

* Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes of fair value of investment properties, loss on derecognition of a then subsidiary and changes in fair value of equity interest in an entity at fair value through profit or loss.

Schedule of Property Interests

Particulars of the major property in Mainland China held by the Group as at 31 December 2024 is as follows:

Investment Property

Description	Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
The whole of Level 1, Level 2, Level 3, Level 4, Level 8, Level 11, and portion of Basement Level of Gang Yu Square Chiao Dong Road Chaotianmen Chongqing	Commercial	Medium	24,212	100