

China Asia Valley Group Limited
中亞烯谷集團有限公司

(Incorporated in Bermuda with limited liability)(於百慕達註冊成立之有限公司)
(Stock Code 股份代號: 63)

OMO

商業
模式

63

中亞
烯谷

2024

Annual Report

年報

賦能·未來

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AHEAD

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烯
谷

在烯谷，我們對新興科技充滿敬畏，
秉持公正、客觀的原則專注於科技推動美好生活的研究。

在烯谷，我們重視人才培養，不斷學習，
堅信只有更加專業的團隊才能更好的為您服務；

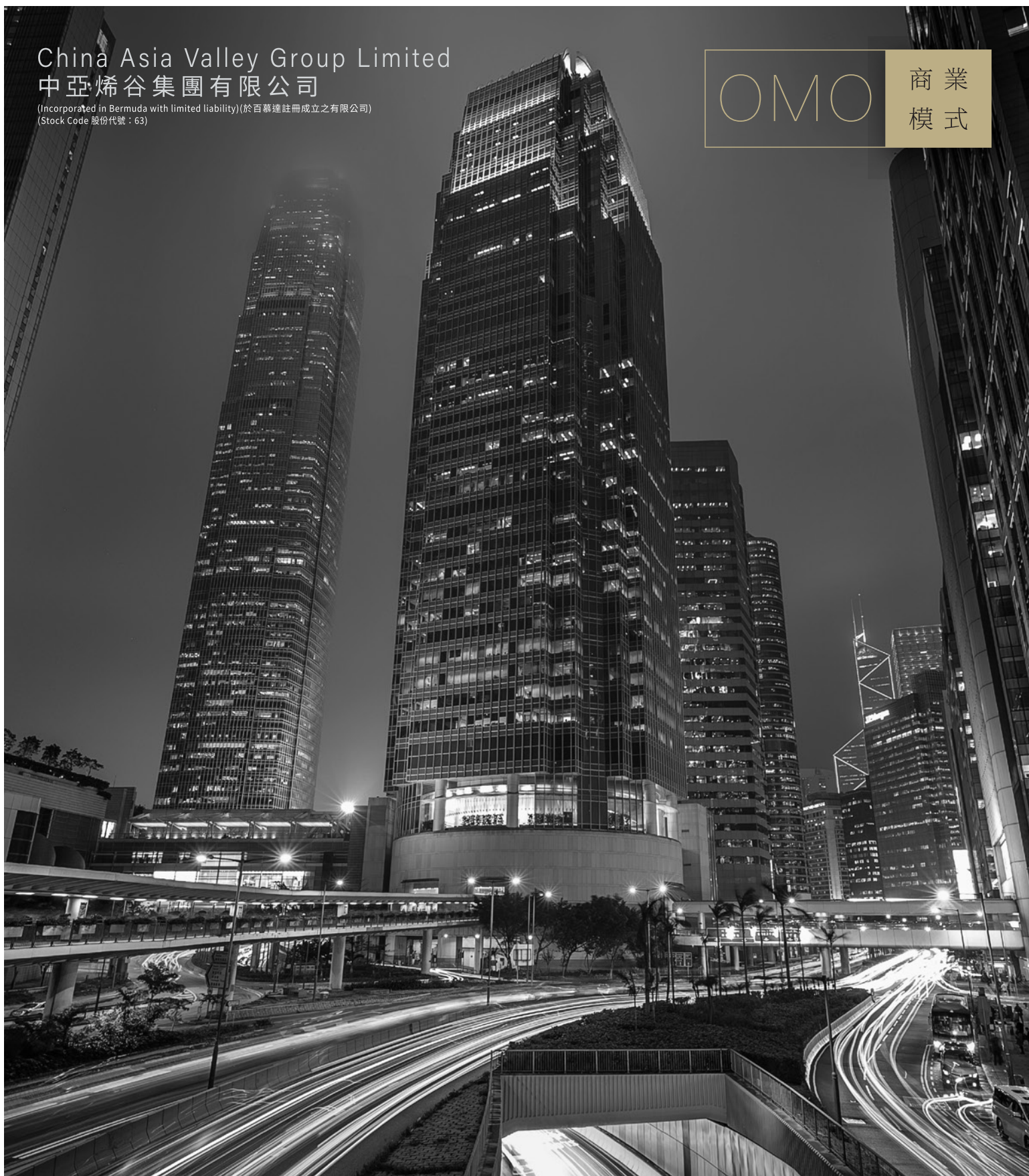
在烯谷，我們秉承彙聚智慧，成就價值理念為您賦能；
在烯谷，我們致敬匠心——始終堅信“工匠精神、持之以恆”，
致力於成為您專屬的商業決策智囊。

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立責於心，履責於行

中亞烯谷集團只為實現一個宏願：
以產報國、以民之益、以人為本為己任，
致力於實現讓創業開始無限可能的美好願景而不懈努力。

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Binghuang
(Chairman and Chief Executive Officer)
Ms. Xia Ping
Ms. Wang Lijiao

Independent non-executive Directors

Mr. Duan Rihuang
Mr. Wang Rongfang
Mr. Tso Sze Wai

COMPANY SECRETARY

Mr. Tam Chun Wa

AUDITORS

Infinity CPA Limited
Certified Public Accountants
Room 1501, 15th Floor
Olympia Plaza
255 King's Road
North Point, Hong Kong

LEGAL ADVISERS

Jeffrey Mak Law Firm
(as to Hong Kong Laws)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Rooms 1237–1240, 12th Floor
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Pembroke HM 12
Bermuda
(resigned on 1 January 2025)

Conyers Corporate Services
(Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
(appointed on 1 January 2025)

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

Stock Code: 63, Hong Kong

WEBSITE

www.00063.cn

Chairman's Statement

On behalf of the board (the "Board") of Directors (the "Director") of China Asia Valley Group Limited (the "Company"), it is my pleasure to present to you the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024.

During the year ended 31 December 2024 (the "Year"), the Group continued to engage in property investment, provision of horticultural services and sales of plants, property management and other related services and provision of construction services.

On 17 November 2023, the Company successfully held a special general meeting on the approval of the Tenancy Agreement and the Subscription Agreement. Details of the Tenancy Agreement and the Subscription Agreement can be found in the Company's circular dated 31 October 2023. All the resolutions set out in the circular were duly passed by the independent shareholders by way of poll.

Looking ahead, the Group targets to enhance our property management and other related services business which will boost the Group's revenue and profit in future. The Group will further enhance its competitive edge and synergies of regional businesses in line with its development strategy of stable and steady operation, and enhance and consolidate its long-term competitiveness.

Following the completion of the Tenancy Agreement, the Company enjoyed a stable rental income and secure a cashflow stream from the Silicon Valley Industrial Park in future. Having established a strong foundation in property management and investment and to diversify our offerings and create additional value, the Company has expanded into construction services. This strategic move allows the Company to leverage our expertise, resources, and industry relationships while addressing emerging opportunities in the market.

On behalf of the Group, I would like to thank the effort from my fellow directors, senior management and employees of the Group during the year, and the trust and support from our shareholders, business partners and customers.

On behalf of the Board
Huang Binghuang
*Chairman and
Chief Executive Officer*

Hong Kong, 27 March 2025

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2024 (the “Year”), the Group continued to engage in property investment, provision of horticultural services and sales of plants, and property management and other related services and provision of construction services.

Revenue of the Group increased by HK\$96,413,000 or 251.9% from HK\$38,267,000 for the year ended 31 December 2023 to HK\$134,680,000 for the Year, mainly due to increase in the rental income from investment properties and leased properties under sub-lease arrangements, and the construction services for buildings and related services (a new business established during the Year).

PROPERTY INVESTMENT

The Group has 30 units of investment properties in Hong Kong. Rental income derived from these investment properties increased by HK\$698,000 or 11% from HK\$6,398,000 for the year ended 31 December 2023 to HK\$7,096,000 for the Year, mainly due to the increase in the average rental income per apartment unit.

The Group has about 240 leases of leased properties under sub-lease arrangements in the PRC. Rental income derived from these properties was HK\$81,887,000 (2023: Nil), mainly due to the commencement of the leased properties under sub-lease arrangements from April 2024 onwards.

PROPERTY MANAGEMENT AND OTHER RELATED SERVICES

Since the year 2020, the Group continued to derive income from its property management and other related business with two China properties developers (i) Shenzhen Houting Yayuan Investment Co., Ltd.* (深圳市后亭雅苑投資有限公司) with the properties managed located at Shajing East to Songsha Road South to Neway Factory West to Zhongting Road North to Zhongting Road East Road, Bao'an District, Shenzhen* (深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路); (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.* (深圳市紅星雅苑置業有限公司) with the properties manage located at Juncture of Songming Avenue and Baoan Avenue, Songgang Street, Bao'an District, Shenzhen* (深圳市寶安區松崗街道松明大道與寶安大道交匯處). The Group also engaged property management business with properties under management located at Shajing Centre, Shenzhen of the Guangdong — Hong Kong — Macao Greater Bay Area (粵港澳大灣區·深圳市沙井中心). During the Year, the Group recorded a revenue of HK\$16,312,000 (2023: HK\$25,365,000) from this business segment.

CONSTRUCTION SERVICES

The Group provides construction services for buildings and related services in the PRC. Construction services revenue increased by HK\$23,108,000 (2023: Nil) mainly due to the new business established during the year.

* for identification purposes only

Management Discussion and Analysis

HORTICULTURAL SERVICES AND SALES OF PLANTS BUSINESS

The Group also operates horticultural services and sales of plants business under the brand name of “Cheung Kee Garden”, which has almost 50 years of history. Revenue from provision of horticultural services and sales of plants during the Year slightly decreased by HK\$227,000 or 3.5% from HK\$6,504,000 for the year ended 31 December 2023 to HK\$6,277,000 for the Year.

STAFF COSTS

Staff cost decreased by HK\$4,360,000 or 20.8% from HK\$20,922,000 for the year ended 31 December 2023 to HK\$16,562,000 for the Year, mainly due to the decrease in the number of headcounts for the Year.

PROPERTY INVESTMENT RELATED EXPENSES

Property investment related expenses increased by HK\$13,024,000 for the year ended 31 December 2024 (2023: Nil) for the payment of rental expense to the landlord for leasing services of leased properties under sub-lease arrangements in the PRC from April 2024 onwards.

PROPERTY MANAGEMENT RELATED EXPENSES

Property management related expenses decreased by HK\$1,505,000 or 21.2% from HK\$7,095,000 for the year ended 31 December 2023 to HK\$5,590,000 for the Year, mainly due to effective cost control measures in property management related expenses.

CONSTRUCTION SERVICES RELATED EXPENSES

Construction services related expenses increased by HK\$18,674,000 for the year ended 31 December 2024 (2023: Nil), mainly due to the construction service costs for buildings and related services in the PRC (a new business established during the Year).

OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Other operating and administrative expenses decreased by HK\$79,000 or 1.0% from HK\$7,809,000 for the year ended 31 December 2023 to HK\$7,730,000 for the Year, mainly due to a decrease in the legal and professional fees incurred for the Year.

FINANCE COSTS

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs increased by HK\$15,415,000 or 186.0% from HK\$8,289,000 for the year ended 31 December 2023 to HK\$23,704,000 for the Year, due to an increase in the interest paid in lease liabilities in the PRC for the Year.

Management Discussion and Analysis

PROFIT FOR THE YEAR

For the Year, the Group recorded a profit of HK\$2,565,000, as compared to a profit of HK\$2,182,000 for the year ended 31 December 2023.

CHARGE OVER THE GROUP'S ASSETS

The Group has pledged its investment properties as collateral for bank borrowings. As at 31 December 2024, the fair value of those pledged investment properties amounted to HK\$355,000,000 (2023: HK\$348,000,000).

Bank borrowings of HK\$144,000,000 as at 31 December 2024 (2023: HK\$160,000,000) are secured by (i) the investment properties of HK\$355,000,000 (2023: HK\$348,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2023: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2023: HK\$7,000,000), (iv) deposit of rental income from properties to a designated bank account which is charged to the bank, and (v) maintenance of an occupancy rate of 60% or above in investment properties (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three months) (2023: 60%).

MATERIAL EVENT DURING THE YEAR

During the Year, the Group entered into a tenancy agreement (as amended and supplemented) in respect of the sub-lease of the Silicon Valley Industrial Park located in Shajing Street, Bao'an District, Shenzhen, the PRC. Details of, amongst others, the Tenancy Agreement are set out in the Company's circular dated 31 October 2023.

The Company has also completed the issue of the 3.6% convertible bond due 2029 in the principal amount of HK\$353,360,000. Details of the Tenancy Agreement and the Subscription Agreement can be found in the Company's circular dated 31 October 2023. The convertible bond was issued on 28 March 2024 and the Tenancy Agreement was effective from April 2024. The convertible bond was issued and converted to 353,360,000 shares during the Year.

The net proceeds received from the issue of the convertible bond after deducting all relevant costs and expenses incurred were approximately HK\$351,460,000. The details of the use of proceeds during the Reporting Period are as follows:

Proposed use of proceeds	Allocation of net proceeds (HK\$) (note)	Net proceeds utilised as at 31 December 2024 (HK\$)	Unutilised net proceeds as at 31 December 2024 (HK\$)	Expected timeline
Payment of the Deposit	305,200,000	305,200,000	—	—
General working capital	46,260,000	46,260,000	—	—
Total	351,460,000	351,460,000	—	

note: The payment was made in RMB and therefore there was a change in allocation of net proceeds in HK\$ due to foreign exchange adjustment.

All the net proceeds from the issue of the convertible bond have been fully utilized as at 31 December 2024.

Management Discussion and Analysis

PROSPECTS

Looking ahead, the Group targets to enhance our property management and other related services business which will boost the Group's revenue and profit in future. The Group will further enhance its competitive edge and synergies of regional businesses in line with its development strategy of stable and steady operation, and enhance and consolidate its long-term competitiveness.

Following the completion of the Tenancy Agreement, the Company enjoyed a stable rental income and secure a cashflow stream from the Silicon Valley Industrial Park in future. Having established a strong foundation in property management and investment and to diversify our offerings and create additional value, the Company has expanded into construction services. This strategic move allows the Company to leverage our expertise, resources, and industry relationships while addressing emerging opportunities in the market.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. The Group's monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars and Renminbi same as compare to last year.

As at 31 December 2024, there was outstanding bank borrowings in the principal sum of HK\$144,000,000 (2023: HK\$160,000,000). The Group's working capital requirements in 2024 were funded with bank borrowings, advances from its related parties and internal funds from Company's operation totalling HK\$43,928,000 (2023: HK\$76,774,000).

The repayment schedule of the bank borrowings are as follows:

No. of installments	Principal repayment date	Repayment amount of each installment
1st	12 months after March 2023	10% of the original principal amount
2nd	24 months after March 2023	10% of the original principal amount
3rd	36 months after March 2023	10% of the original principal amount
4th	48 months after March 2023	All the outstanding balance

The Group has repaid the bank borrowings in the principal of HK\$16,000,000 each March 2024 and March 2025.

The Company has received written confirmation from its controlling shareholder that he will continue to provide financial support to the Company to meet all the obligations of the Company to the extent that it is unable to meet those obligations itself and the amount due to him would not demand for repayment for at least twelve months.

EMPLOYEES

As at 31 December 2024, the Group had a total of 141 employees (2023: 157), including directors. Staff costs for the year ended 31 December 2024 amounted to approximately HK\$16,562,000 (2023: HK\$20,922,000).

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2024, investment properties and bank deposits with an aggregate value of HK\$366,946,700 (2023: HK\$363,332,000) were pledged to the bank to secure bank borrowings granted to the Company.

GEARING RATIO

Gearing ratio is calculated by dividing the sum of borrowings from third parties, related parties and lease liabilities by total equity and multiplied by 100%. As of 31 December 2024, the gearing ratio of the Group was 106% (31 December 2023: 179%).

DIVIDEND POLICY

The Company has adopted a dividend policy (the “Dividend Policy”), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Bye-laws of the Company and the distribution shall achieve continuity, stability and sustainability. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group’s earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in the long run, the financial conditions and business plan of the Group, and market sentiment and circumstances. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Tso Sze Wai (Chairman), Mr. Duan Rihuong and Mr. Wang Rongfang. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting system, risk management and internal control systems of the Group. The Audit Committee has reviewed, with no disagreement, the Group’s financial statements for the year ended 31 December 2024.

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group 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 40 to the consolidated financial statements.

EVENTS AFTER THE YEAR

There was no material event affecting the Group which has occurred after the Year that is required to be disclosed.

BUSINESS REVIEW

Business review and prospects

A business and financial review of the Group's performance during the year ended 31 December 2024, the financial position and an indication of likely future development in the Company's business are set out in section headed "Management Discussion and Analysis" on pages 4 to 8 of this annual report.

Principal risks and uncertainties

The major risks facing the Group are summarised below.

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-party risk

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance or recruits qualified staff to provide such service.

Directors' Report

BUSINESS REVIEW (CONTINUED)

Environmental policies and performance

The Company persistently strives to operate its business in an economic, social and environmentally sustainable manner. During the year, while seeking business growth, the Group assumed its corporate environmental and social responsibilities proactively by making constant progress towards sustainable development. The Group has developed and improved its environmental policies, optimised the efficiency in the use of energy and resources, advocated and promoted environmental protection and reduced the impact of its business development on the environment.

Details of the Company's environmental policy and performance are published in the separate Environmental, Social and Governance Report which is separately published on the Company's website and the website of the Stock Exchange at the same time as the publication of this report.

Compliance with laws and regulations

The incorporation places of the Company and its subsidiaries includes Bermuda, Hong Kong, the British Virgin Islands (the "BVI") and the People's Republic of China. The Group's operations are carried out by the Company's subsidiaries in Hong Kong and Mainland China while the Company itself is listed on the Stock Exchange of Hong Kong Limited. Our establishment and operations accordingly shall comply with relevant laws and regulations of Bermuda, Hong Kong, Mainland China and the BVI. During the year ended 31 December 2024, we have complied with all the relevant laws and regulations in the statutory and business operation.

Key relationships with employees, customers and suppliers

The Group promoted people-oriented management cultures and emphasised the value of employees as it believed employees were important resources for enhancing the Group's productivity and core competency. To provide employees with competitive remunerations and opportunities to receive skill trainings is closely connected to the realization of employees' individual values as well as the Group's strategic goals.

The Group maintained good cooperation and communications with suppliers and ensured both sides were mutually benefited. The Group also paid close attention to customers' satisfaction and constantly enhanced service quality in order to maintain good reputation of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

The results and cash flows of the Group for the year ended 31 December 2024 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 41 to 110.

DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2024.

As at the date of this annual report, the Directors were not aware of that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

Directors' Report

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities interests of the Group for the last five financial years is set out on the page 112 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 31 to the consolidated 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was Nil (2023: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 40% (2023: 23%) of the total sales for the year and sales to the largest customer included therein amounted to 17% (2023: 10%).

Purchases from the Group's five largest suppliers accounted for 79% (2023: 70%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 60% (2023: 22%).

As far as the directors are aware, neither the directors, their close associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's issued shares had any interest in the five largest customers and suppliers.

Directors' Report

DIRECTORS

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

Executive directors:

Mr. Huang Binghuang (*Chairman and Chief Executive Officer*)

Ms. Xia Ping

Ms. Wang Lijiao

Independent non-executive directors:

Mr. Duan Rihuang

Mr. Wang Rongfang

Mr. Tso Sze Wai

In accordance with the Company's Bye-law 84(1), Ms. Xia Ping and Mr. Duan Rihuang, will retire from office by rotation, being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers each of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-law 164(1), the directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to any of said persons. Such provision was in force during the year ended 31 December 2023 and remained in force as of the date of this report as required by section 470 of the Hong Kong Companies Ordinance.

The Company had arranged for appropriate insurance cover in respect of legal actions against directors before the year 2022. However, since 2022, the company has not yet made this insurance arrangement as the Board considered that no suitable director liability insurance could be identified on the market which could provide adequate suitable security to the Directors.

Directors' Report

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the share scheme as set out in the section headed "Share Schemes", at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2024 or subsisted at the end of the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2024, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number and class of shares held	Percentage (Note b)
Mr. Huang Binghuang (Note a)	Interest of controlled corporation	3,812,395,735 ordinary shares	60.01%

Note:

- (a) Mr. Huang Binghuang ("Mr. Huang") was deemed to be interested in the 3,812,395,735 shares held by China Asia Group Inc. as Mr. Huang directly holds 100% of the shares of China Asia Group Inc. ("CA Group").
- (b) The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 31 December 2024, that is 6,352,702,084 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2024, none of the directors and the chief executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any executive Director or any person engaged under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE SCHEMES

As at 31 December 2024, the Company did not have any share schemes and outstanding share options.

In order to offer flexibility to the remuneration structure of the Company and to attract talent, the Company may adopt a new share scheme, which will be subject to shareholder's approval at a general meeting to be convened in due course.

Movement and option

There were no outstanding Options under the Scheme as at 1 January 2024. No Options were granted under the Scheme during the year ended 31 December 2024. No Options was vested, exercised, cancelled or lapsed under the scheme during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 39 to the consolidated financial statements and the sub-section headed "Related Party Transactions" in this report, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company (or an entity connected with a director) or a controlling shareholder or any of its subsidiaries had a material interest, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF INFORMATION ON DIRECTORS

There is no change to the information of the Directors in Directors' Biographies as at the date of this annual report that is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings every year. Other emoluments are determined by the Board on the recommendation of the Remuneration Committee with reference to Directors' duties, responsibilities and performance, the prevailing market rate and the results of the Group. No Director or any of his or her associates was involved in deciding his or her own remuneration.

CONNECTED TRANSACTIONS

Tenancy Agreement

On 6 June 2023, Shenzhen Zhongya Industry Operation Co., Ltd.* (深圳市中雅產業運營有限公司 (the "PRC Subsidiary"), a wholly-owned subsidiary of the Company (as tenant), and Shenzhen Tanggang China Asia Electronic City Group Co., Ltd.* (深圳市坐崗中亞電子城集團有限責任公司, "China Asia Electronic") (as landlord), entered into the Tenancy Agreement for the lease of an aggregate area of 350,855 square-metres at the Silicon Valley Industrial Park for a total rent of approximately RMB1,413.4 million (equivalent to approximately HK\$1,526.5 million) for a term of 10 years commencing upon completion. The Tenancy Agreement was supplemented by a supplemental tenancy agreement entered into by the parties on 12 October 2023.

Mr. Huang Binghuang is a controlling shareholder of the Company who indirectly through CA Group held 60.01% of the Shares. Accordingly, Mr. Huang and China Asia Electronic are connected persons of the Company under Chapter 14A of the Listing Rules.

The Tenancy Agreement and the transaction contemplated thereunder was completed during the year and constituted a very substantial acquisition of the Company and a connected transaction of the Company, and were subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Subscription Agreement

On 6 June 2023, the Company entered into the Subscription Agreement with Mr. Huang Binghuang, Zhongjun Holding Group Company Limited (中軍控股集團有限公司, "Subscriber 1") and Xuhong International Corporation (旭宏國際有限公司). The Subscription Agreement was supplemented by three deeds of amendment entered into on 21 July 2023, 29 August 2023, 12 October 2023. Pursuant to the Subscription Agreement (as supplemented), Subscriber 1, Mr. Xiong Guoqiang* (熊國強) and China Asia Group Inc. ("CA Group") have agreed to subscribe for the 3.6% convertible bond due 2029 in the principal amount of HK\$353,360,000 (the "Convertible Bond") in the principal amount of HK\$95,150,000, HK\$24,760,000 and HK\$233,450,000, respectively. The issue of the Convertible Bond was to fund the deposit under the Tenancy Agreement of approximately RMB282.6 million. CA Group held 2,112,395,735 Shares, representing approximately 74.93% of the issued share capital of the Company. Hence, CA Group, being one of the Subscribers, is a connected person of the Company under Chapter 14A of the Listing Rules. The Subscription Agreement (including the issue of the Convertible Bond) and the transactions contemplated thereunder (including the Specific Mandate) constituted a connected transaction of the Company and was subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the special general meeting of the Company held on dated 17 November 2023, (i) the Tenancy Agreement and the transactions contemplated thereunder; and (ii) the Subscription Agreement (including the issue of the Convertible Bond) and the transactions contemplated thereunder (including the specific mandate) were approved by the independent Shareholders on 17 November 2023 and completed during the year.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

* The Company name in English is not the official name but a translation for reference only

Directors' Report

RELATED PARTY TRANSACTIONS

Details of transactions between the Group and parties regarded as "Related Parties" under applicable accounting principles are set out in note 39 to the consolidated financial statements. No transaction disclosed thereto constitutes connected transaction or continuing connected transaction of the Company subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2024, none of the Directors or any of their respective close associates (as defined in the Listing Rules) had any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2024, the interests or short positions of the following substantial shareholders (other than persons who were directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the company:

Name of shareholders	Nature of interest	Number and class of shares held	Percentage (Note b)
China Asia Group Inc. (Note a)	Beneficial owner	3,812,395,735 ordinary shares	60.01%

Note:

- (a) Mr. Huang was deemed to be interested in the 3,812,395,735 shares of the Company as Mr. Huang held 100% equity interest of China Asia Group Inc., which held 3,812,395,735 shares of the Company.
- (b) The percentage of interest in the Company is calculated by reference to the number of ordinary shares in the issue as at 31 December 2024, that is 6,352,702,084 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2024, the Company had not been notified of any other persons (other than persons who were directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Report

LOAN AGREEMENT

1. On 25 August 2022, the Company was approved by the bank that the bank loans for an extension of a half year and a further a half year.
2. On 14 March 2023, the Company has drawn the renewed bank loans which should be fully repaid within 48 months from drawdown date as follows:

The repayment schedule of the bank borrowings are as follows:

No. of installments	Principal repayment date	Repayment amount of each installment
1st	12 months after March 2023	10% of the original principal amount
2nd	24 months after March 2023	10% of the original principal amount
3rd	36 months after March 2023	10% of the original principal amount
4th	48 months after March 2023	All the outstanding balance

As at 31 December 2024, there was outstanding bank loans in the original principal amount of HK\$144,000,000 (2023: HK\$160,000,000).

The Group has repaid the bank borrowings in the principal of HK\$16,000,000 each March 2024 and March 2025.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

ISSUE OF CONVERTIBLE BOND

Pursuant to the Subscription Agreement as supplemented and as disclosed in the circular dated 31 October 2023, Convertible Bond in the principal amount of HK\$353,360,000 was issued during the year. The issue of the Convertible Bond was to fund the deposit under the Tenancy Agreement of approximately RMB282.6 million.

The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and ranks at least pari passu and rateably without preference amongst themselves. The conversion price is HK\$0.1 (the "Conversion Price") per conversion share. The net Conversion Price was approximately HK\$0.0997 per conversion share, which was derived from dividing the net proceeds of HK\$352,360,000 by the aggregate of 3,533,600,000 conversion shares that were set to be allotted and issued to the Subscribers upon conversion in full of the Convertible Bond. An aggregate of 3,533,600,000 conversion shares was allotted and issued upon full conversion of the Convertible Bond at the Conversion Price. The maximum aggregate nominal value of the conversion shares (upon exercise in full of the conversion rights) was HK176,680,000 based on the nominal value of HK\$0.05 per Share. The closing price as quoted on the Stock Exchange on the date of the Subscription Agreement (i.e., 6 June 2023) was HK\$0.150. Completion under the Subscription Agreement took place during the year.

Directors' Report

PUBLIC FLOAT

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

DONATIONS

During the year, the Group had not made any charitable donations.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2024 were audited by Infinity CPA Limited ("Infinity"). Infinity shall retire as auditor of the Company at the forthcoming annual general meeting and shall be subject to appointment by the shareholders. A resolution for the re-appointment of Infinity as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Huang Binghuang

Chairman

Hong Kong, 27 March 2025

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder value. The principle of the Company's corporate governance is to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules. The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2024 (the "Year"), the Company has complied with all the Code Provisions set out in the CG Code except for the following:

Deviation from Code Provision C.2.1 of the CG Code

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chief executive officer was performed by Mr. Huang Binghuang, who was also the chairman of the Company for the Year. The Board believes that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such circumstance. In addition, it is considered that the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code in Appendix C3 to the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Year.

Corporate Governance Report

BOARD OF DIRECTORS

Composition of the Board of Directors

The composition of the Board during the Year and up to the date of this Report was as follows:

Executive directors:

Mr. Huang Binghuang (*Chairman*)
Ms. Xia Ping
Ms. Wang Lijiao

Independent non-executive directors:

Mr. Duan Rihuang
Mr. Wang Rongfang
Mr. Tso Sze Wai

The Directors have no other financial, business, family or other material/relevant relationship with each other.

During the Year, the Board held eight meetings. The following table shows the attendance of each individual member of the Board at the respective meetings of the Board and the respective Board Committees as well as two general meetings held during the Year.

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
<i>Executive directors:</i>					
Mr. Huang Binghuang	5/5	N/A	N/A	1/1	1/1
Ms. Xia Ping	5/5	N/A	1/1	N/A	1/1
Ms. Wang Lijiao	5/5	N/A	N/A	N/A	1/1
<i>Independent non-executive directors:</i>					
Mr. Duan Rihuang	5/5	2/2	1/1	1/1	1/1
Mr. Wang Rongfang	5/5	2/2	1/1	1/1	1/1
Mr. Tso Sze Wai	5/5	2/2	N/A	N/A	1/1

In addition, the Chairman of the Board held a meeting with the independent non-executive directors without the presence of executive directors during the year under review.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Functions of the Board

The Board supervises the management of the business and affairs of the Company and its subsidiaries (the "Group"). Apart from its statutory duties, the Board reviews and approves the Group's strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management personnel.

The Board provides leadership, approves major policies, reviews and monitors the business performance of the Group, approves major funding and investment proposals, as well as the consolidated financial statements of the Group. Day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management.

Guidelines are established which specify certain material transactions that require the Board's approval which include mergers and acquisitions, divestments and major capital expenditure.

The Board has separate and independent access to management and the company secretary. Management provides the Board with reports of the Group's performance, financial position and prospects, and these are reviewed by the Board at Board meeting. Directors may obtain independent professional advice in furtherance of their duties at the Group's expense.

Board Independence

The Group has established mechanisms to ensure that independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board:

- At least one-third of the Board are independent non-executive directors in compliance with the Listing Rules requirements, and the Company will assess the independence of the independent non-executive Directors on at least an annual basis.
- The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Directors before appointment and the continued independence of the current long-serving independent non-executive Directors on an annual basis. All independent non executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- All Directors and committees of the Board are entitled to retain independent professional advisors as and when it is required.
- All Directors are encouraged to express their views in an open and candid manner during the Board/ Board committee meetings.
- The Chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Board Independence (Continued)

- A Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- No equity-based remuneration with performance-related elements will generally be granted to independent non-executive Directors.

The Board would review the implementation and effectiveness of the above mechanisms on an annual basis.

Directors' continuous professional development

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills.

During the Year, all directors received briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to rules and regulations applicable to the Company were provided to them. The Company has received from each of Directors the confirmation on and training record of taking continuous professional training.

	Reading regulatory updates and materials	Attending seminars/ briefings
<i>Executive directors:</i>		
Mr. Huang Binghuang	✓	✓
Ms. Xia Ping	✓	✓
Ms. Wang Lijiao	✓	✓
<i>Independent non-executive directors:</i>		
Mr. Duan Rihuang	✓	✓
Mr. Wang Rongfang	✓	✓
Mr. Tso Sze Wai	✓	✓

Corporate Governance Report

CHAIRMAN

During the Year, Mr. Huang Binghuang performs the role of the Chairman of the Company. Mr. Huang Binghuang focuses on formulating the corporate direction and strategies of the Company. The Chairman is responsible for leading the Board, and facilitating the business of the Board and the effectiveness of individual Director, both during and outside Board meetings. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. Mr. Huang Binghuang is also the chief executive officer of the Company, in which position he is responsible to lead executive management of the Group, taking overall responsibilities for the supervision and the conducts of the Company's business and its ordinary operations.

NON-EXECUTIVE DIRECTORS

All the non-executive and independent non-executive directors have entered into letters of appointment with the Company for a term of three years subject to the requirements of the Listing Rules and the Bye-laws of the Company, including the requirement of retirement by rotation and re-election or standing for re-election at annual general meetings of the Company at least once every three years.

BOARD COMMITTEES

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference available on the Stock Exchange's website and the Company's website. The audit committee is responsible for reviewing and monitoring the financial reporting process and internal control system of the Company, maintaining an appropriate relationship with external auditors and shall assist the Board to fulfill its responsibility over the audit process.

During the Year, the Audit Committee comprises all independent non-executive directors of the Company as follows:

Mr. Tso Sze Wai (*Chairman of the Audit Committee*)

Mr. Duan Rihuang

Mr. Wang Rongfang

During the Year, the Audit Committee met two occasions with the presence of external auditors and discharged its responsibilities in its review of the interim and annual results and one occasion for the appointment of external auditor. The work performed by the Audit Committee for the Year included reviewing and discussion of the following:

- a. the consolidated financial statements for the year ended 31 December 2023 and the interim results of the Group for the six months ended 30 June 2024 of the Group, with a recommendation to the Board for approval;
- b. the appointment of the external auditor, the remuneration and terms of engagement of external auditor, with a recommendation to the Board for approval;
- c. the risk management and internal control system of the Group;

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Audit committee (Continued)

- d. the audit process and its effectiveness, audit fees and independence and objectivity of the external auditors for the Year, with a recommendation to the Board for approval; and
- e. the compliance status of the Group with the Listing Rules and legal requirements in relation to financial reporting.

Remuneration committee

The Company established a remuneration committee (the “Remuneration Committee”) with written terms of reference available on the Stock Exchange’s website and the Company’s website. The primary responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all directors and senior management of the Company. It shall also assess the performance of executive Directors and make recommendations to the Board on the remuneration packages of individual executive Director and senior management, as well as review and/or approve matters relating to share schemes of the Company.

During the Year, the Remuneration Committee comprises all independent non-executive directors of the Company, they are as follows:

Mr. Wang Rongfang (*the Chairman of the Remuneration Committee*)
Mr. Duan Rihuang
Ms. Xia Ping

During the Year, the Remuneration Committee held one meeting and preformed the work included the followings:

- a. reviewing and discussing the remuneration package of the existing directors of the Company, with reference to the performance of such Directors; and
- b. making recommendation of new remuneration packages of the directors and communicating to the Board.

The Remuneration Committee is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group’s employees are periodically reviewed by the remuneration committee. The Remuneration Committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share options were recommended to be awarded by the Remuneration Committee during the Year.

The remuneration of directors is determined with reference to their duties and responsibilities, market conditions and performance of the Group. Details of emoluments of directors for the Year are set out in note 14 to the consolidated financial statements.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Remuneration committee (Continued)

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of senior management by band for the Year is set out below:

In the board of	Number of individuals
Nil to HK\$1,000,000	3

Nomination committee

The Company established a nomination committee (the “Nomination Committee”) with written terms of reference available on the Stock Exchange’s website and the Company’s website. The primary responsibilities of the Nomination Committee are to review the structure, size, composition and diversity of the Board on a regular basis and to make recommendations to the Board the suitable candidates for directorship after consideration of the nominees’ independence and quality in order to ensure fairness and transparency of all nominations.

During the Year, the Nomination Committee comprises all independent non-executive directors of the Company, they are as follows:

Mr. Huang Binghuang (*the Chairman of the Nomination Committee*)
Mr. Duan Rihuang
Mr. Wang Rongfang

During the Year, the Nomination Committee held one meeting and preformed the work included the followings:

- reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;
- reviewing the new appointment of the executive director and the independent non-executive directors;
- reviewing the re-appointment of retiring directors for re-election;
- assessing the independence of the independent non-executive directors; and
- making recommendation to the Board on the appointment of director.

Corporate Governance Report

NOMINATION POLICY

The secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, *inter alia*, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Measurable objective that the Board set for implementing the diversity policy is that at least one Director is female. For the Year, this measurable object has been fulfilled as 1/3 of the Directors are female. As at the date of this report, the female-to male ratio of the Board members was 1:2 and the female-to-male ratio of the workforce (including the senior management) was 1:2.5, reflecting a gender equality principle generally adhered by the Group and consistent with the practices in the industry in which the Group operates.

The Board is mindful of the objectives for the factors as set out in the diversity policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the diversity policy. Similar considerations will also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio. The Nomination Committee will discuss periodically and when necessary, agree on further measurable objectives and plans for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. At present, the Board has not set any further measurable objectives or plans.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board pursuant to the applicable code provisions of the CG Code which include:

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

The Board had reviewed the corporate governance matters of the Company for the Year, except for the deviation disclosed previously, the Company had complied with the principles and applicable code provisions of the CG Code and was not aware of any non-compliance to relevant applicable legal and regulatory requirements.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and of the Group at the date and of the Group's results and cash flows for the year then ended and are properly prepared in accordance with the statutory requirements and accounting standards.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 34 to 40 of the Annual Report 2024.

Corporate Governance Report

AUDITORS

The annual consolidated financial statements of the Group for the Year have been audited by Infinity. The auditor's responsibilities for the Group's financial statements are set out in the Independent Auditor's Report on pages 34 to 40 of the Company's Annual Report 2024. Infinity who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

The Audit Committee is responsible for evaluating the external auditor of the Group including but not limited to their independence and objectivity.

The fees of the external auditor of the Group for audit services amounted to HK\$590,000 and no non-audit services was incurred for the Year.

COMPANY SECRETARY

Mr. Tam Chun Wa, member of the Hong Kong Institute of Certified Public Accountants, was the Company Secretary who had taken not less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to the Bye-law 58 of the Company, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. The Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business. If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

Putting enquiries to the board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the principal place of business in Hong Kong and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting forward proposals at shareholders' meeting

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

INVESTOR RELATIONS

The Company has adopted the Shareholders' Communication Policy. Under the Shareholders' Communication Policy, the Board shall maintain an on-going dialogue with the Shareholders and prospective investors and establish different channels of communication, including the shareholders' meeting and the Company's website, to ensure effective timely dissemination of information.

The Directors meet and communicate with shareholders at the general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of the general meeting.

Our Company's website which contains corporate information, corporate governance practice, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

The Board reviews the implementations and effectiveness of the Shareholders' Communication Policy on an annual basis. After review, the Board considered that the Shareholders' Communication Policy remained effective and was properly implemented given the multiple channels of communication in place during the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has established an internal audit function.

The Company has formulated a policy and procedures on disclosure of inside information (the "Policy") in accordance with Part XIVA of the Securities and Futures Ordinance, the Listing Rules and the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission. The policy applies to all employees of the Company. The Board will be responsible for adopting and periodically reviewing and updating the Policy.

A year-end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually. The Board, through its review and the review made by the Audit Committee and the external consultant during the Year, considered that the risk management and internal control systems were effective and adequate.

Directors' Biographies

EXECUTIVE DIRECTORS

Mr. Huang Binghuang ("Mr. Huang"), aged 53, was appointed as an executive director, the chairman of the Board, the chief executive officer of the Company and the chairman of the Nomination Committee on 30 September 2019 and is currently a director of the subsidiaries of the Company, namely Super Homes Limited and China Graphene Holdings Limited. There is a supplementary service contract entered into between the Company and Mr. Huang on 20 April 2024, pursuant to which his appointment is for a term of three years commencing from 20 April 2024 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice) but is subject to retirement by rotation and re-election at annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. Mr. Huang graduated from the Chongqing University. Mr. Huang was the largest shareholder, executive director, CEO and Chief Operating Officer of Grand Field Group Holdings Limited (stock code: 115), a company listed on the Main Board of The Stock Exchange of Hong Kong from February 2007 to October 2008. Mr. Huang served as a consultant to the dean of Peking University, a member of Tenth Committee of the Chinese People's Political Consultative Conference (CPPCC) of Jiangxi Province and the special representative of Hong Kong and Macau of the Eleven Session of the CPPCC, a director of Overseas Friendship Association of Jiangxi. Mr. Huang also served as the executive vice chairman of the Hong Kong-Jiangxi Association of Societies, honorary chairman of the China-Africa Investment Club, vice chairman of the International Economic Development Research Center, honorary president of the China Forestry and Environment Promotion Association, vice president of the China Federation of Modern Service Industries, director of the Shenzhen Federation of Industry and Commerce, China Society for Promotion of the Guangcai Program, president of the Lions Clubs of Central Asia, and honorary chairman of many higher education and industry institutions. Mr. Huang is deemed to be interested in the 3,812,395,735 shares held by China Asia Group Inc. as Mr. Huang holds 100% of the shares and is the director of China Asia Group Inc. which would fall to be disclosed to the listed issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Directors' Biographies

EXECUTIVE DIRECTORS (CONTINUED)

Ms. Xia Ping ("Ms. Xia"), aged 52, was appointed as an executive director of the Company and a member of the Remuneration Committee on 30 September 2019 and is currently a director of a number of subsidiaries of the Company, including Super Homes Limited and Cheung Kee Garden Limited. There is a supplementary service contract entered into between the Company and Ms. Xia on 20 April 2024, pursuant to which her appointment is for a term of three years commencing from 20 April 2024 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice) but is subject to retirement by rotation and re-election at annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. Ms. Xia graduated from the Fuzhou Teachers' College of East China University of Technology* (東華理工大學撫州師範學院), majoring in Chinese Language and Literature in 1992 and the China Central Radio and TV University (中央廣播電視大學) in the PRC majoring in Chinese Language and Literature in 2005 and obtained the qualification of intermediate accountant issued by the Ministry of Finance of the PRC in 2006. Ms. Xia is the executive president of Shenzhen Tanggang China Asia Electronic City Group Co., Ltd.* (深圳市坐崗中亞電子城集團有限責任公司). Besides, Ms. Xia also acts as an executive director of Zhongya Daye Industrial Park Management Co., Ltd.* (中亞大冶產業園管理有限公司), a director of Shenzhen Zhongya Film Industry Co., Ltd.* (深圳市中亞影視產業有限公司) and a supervisor of Shenzhen Zhongya Film Industry Co., Ltd.* (中亞視界科技(深圳)有限公司).

Ms. Wang Lijiao ("Ms. Wang"), aged 44, was appointed as a non-executive Director and a member of the Audit Committee on 30 September 2019 and was redesignated from a non-executive director to an executive director and ceased to be a member of the Audit Committee on 18 November 2022. Ms. Wang has entered into a service contract with the Company for a term of 3 years commencing from 18 November 2022 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Ms. Wang is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the Bye-laws of the Company. Ms. Wang has been serving as the chief financial officer of China Asia Zhi Ye Group Limited* (中亞置業集團有限公司) since 8 April 2008. Ms. Wang graduated from the Communication University of China (中國傳媒大學) in 2021 with a bachelor's degree in accounting through online studies.

* The Company name in English is not the official name but a translation for reference only

Directors' Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Rihuang ("Mr. Duan"), aged 67, was appointed as an independent non-executive Director of the Company, a member of the Remuneration Committee, the Nomination Committee and the Audit Committee on 12 June 2020. Mr. Duan has entered into a supplementary service contract with the Company on 20 April 2024 pursuant to which his appointment is for a term of three years commencing from 20 April 2024 (which shall continue for successive periods until terminated by either party giving at least two (2) months' notice) but is subject to rotation and re-election as annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. Mr. Duan has over 26 years of experience in the managerial field. From 1987 to 1991, Mr. Duan held the position of the general manager of Jiangxi Liancheng Tourism Rental Company Limited* (江西聯城旅遊出租有限公司). During the period from 1992 to 1998, Mr. Duan was the vice chairman and the general manager of 江西百龍實業有限公司 (Jiangxi Bailong Shiye Company Limited*). From 2005 to 2010, Mr. Duan held the position as general manager of Jiangzi Ruiji Communication Technology Company Limited* (江西瑞吉通訊技術有限公司). Currently, Mr. Duan was also the vice chairman of Jiangnan Valve Company Limited* (江南閥門有限公司) from 2012 to 2022.

Mr. Wang Rongfang ("Mr. Wang"), aged 62, was appointed as the independent non-executive Director of the Company, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 11 February 2022. Mr. Wang has entered into a service contract with the Company for a term of 3 years commencing from 11 February 2022 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Mr. Wang is subject to retirement by rotation and re-election at annual general meeting(s) requirements in accordance with the Listing Rules and the Bye-laws of the Company. Mr. Wang graduated from Quanzhou Normal University* (泉州師範學院) in 1982 and obtained a bachelor's degree in philosophy. Mr. Wang has over 20 years' experience in construction and project management. In 2006, he served as the project manager (general management) of Fujian Huidong Construction Co., Ltd.* (福建惠東建築工程有限公司) in charge of the Riverside Hill Town Project* (水岸山城工程項目) in Fenggang Town, Dongguan, Guangdong. From 2008 to 2011, Mr. Wang served as the project head with Fujian Bajian Construction Co., Ltd.* (福建八建建築工程有限公司) in charge of the Shenzhen Bao'an Shajing Bogang Unified Building Project* (深圳寶安沙井壘崗統建樓工程項目). From 2012 to 2014, he served as the project general manager and deputy manager with Fujian Five Construction Development Group Co., Ltd.* (福建省五建建設集團有限公司) in charge of the China 20 MCC Zhuhai Hengqin Municipal Engineering (Ninth Section) Project* (中國二十冶珠海橫琴市政工程第九標段). From 2014 to 2017, he served as the project head (general management) with Fujian Mingcheng Construction (Group) Co., Ltd.* (福建名城建工有限公司) in charge of the Evergrande Lvzhou Phase II Project* (恒大綠洲二期工程項目). From 2017 to 2018, Mr. Wang served as the project head (general management) of Engineering Company of CCCC Fourth Harbor Engineering Co., Ltd.* (中交四航局第三工程有限公司) in charge of the Kaichun Expressway Section TJ08 First Work Zone Road Foundation Project* (開春高速路 TJ08標第一工區路基工程項目). In 2019, Mr. Wang served as the project head of MCC 1 Malaysia 8cnlag Labour Service Construction Project (一冶馬來西亞8cnlag勞務施工項目) with MCC International (M) Sdn. Bhd.* (中冶國際馬來西亞有限公司). Since April 2020, Mr. Wang has been serving as the deputy general manager of Zhongan Zhonghui (Shenzhen) Industrial Co., Ltd.* (中安中慧(深圳)實業有限公司).

* The Company name in English is not the official name but a translation for reference only

Directors' Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Tso Sze Wai ("Mr. Tso"), age 54, was appointed as an independent non-executive Director and the chairman of the Audit Committee on 2 July 2021. Mr. Tso has entered into a supplementary service contract with the Company for a term of 3 years commencing from 2 July 2024 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Mr. Tso is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the Bye-laws of the Company.

Mr. Tso holds a bachelor's degree in Commerce awarded by University of New South Wales, Australia and a postgraduate diploma in Computing awarded by the University of Western Sydney, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tso currently serves as an independent non-executive director of China Jicheng Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1027), since October 2016. Mr. Tso is also an independent non-executive director of Willas-Array Electronics (Holdings) Limited (stock code: 854) from 2022 and Hop Fung Group Holdings Limited (stock code: 2320) from 2023, both being companies the shares of which are listed on the Stock Exchange. Mr. Tso is also an independent non-executive director of a company the shares of which are listed on the Singapore Stock Exchange, namely Net Pacific Financial Holdings Limited (stock code: SGX:5QY), since July 2020. Mr. Tso was an independent non-executive director of C-Link Squared Limited (SEHK stock code: 1463) from December 2021 to March 2022, an independent non-executive director of KTL Global Limited (SGX-ST stock code: EB7) from June 2020 to August 2021 and the financial controller and the company secretary of Green Energy Group Limited (SEHK stock code: 979) from August 2014 to December 2019. Mr. Tso has over 20 years of experience in accounting, corporate finance and corporate secretarial matters. Prior to that, Mr. Tso had held senior management positions in a number of listed companies in Hong Kong and Singapore.

Independent Auditor's Report



Infinity CPA Limited

Room 1501, 15/F., Olympia Plaza
255 King's Road, North Point
Hong Kong

To the shareholders of China Asia Valley Group Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of China Asia Valley Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 110, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the 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 HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance.

Basis for opinion

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 for Accountant's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Incremental borrowing rates adopted for HKFRS 16

Key Audit Matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining their fair values.

The Group's investment properties are measured at fair value of approximately HK\$355,000,000, accounting for approximately 33.02% of the Group's total assets, as at 31 December 2024 with a fair value gain on investment properties of approximately HK\$7,000,000 recognised in the consolidated statements of profit or loss and other comprehensive income for the year then ended.

The determination of the fair value of these investment properties is performed using the income approach of valuation.

Management has engaged independent qualified professional valuers (the "Valuer") to determine the fair value of these properties. The valuation of these properties is significant to our audit as significant judgement and estimates are involved in determining the key inputs applied in the valuation techniques adopted by the Valuer.

How our audit addressed the Key Audit Matter

Our procedures in relation to the valuation of investment properties mainly included:

- Obtaining an understanding from the Valuer and management of the Group about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgemental areas, key inputs and data used in the valuations;
- Assessing the accuracy of information provided by the management to the Valuer by comparing details of rentals on a sample basis to the respective underlying existing lease agreements;
- Involving our internal valuation expert to evaluate the Valuer's independence, competence, capabilities and objectivity; and the reasonableness of significant unobservable inputs by comparing the market rent estimated by the Valuers against market data or rental of existing lease, benchmarking capitalisation rate against market data and comparing adjusted market price with comparable market transactions for comparable property in similar location and condition on a sample basis;

Independent Auditor's Report

Key Audit Matter

The accounting policies and disclosures in relation to the valuation of investment properties are included in notes 4, 6f(b) and 19 to the consolidated financial statements.

How our audit addressed the Key Audit Matter

- With the assistance of our internal valuation expert, discussing with the Valuer and assessing their valuation methodology and challenging the key estimates and assumptions adopted in the valuations;
- Comparing the current year properties and in particular their value, capitalisation rates and rental income to the prior year information to obtain a better understanding of the most significant movements in the current year;
- Testing the mathematical accuracy of the calculation and checking the information included in the calculation; and
- Assessing the appropriateness and sufficiency of the disclosures made in the consolidated financial statements.

Based on the procedures performed, we considered that the management's judgments and estimations used in the valuation of investment properties were supportable by the evidence we have gathered.

Independent Auditor's Report

Key Audit Matter

Incremental borrowing rates ("IBR") adopted for HKFRS 16

We identified the valuation of leased properties under sub-lease arrangements and lease liabilities as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the IBR.

As at 31 December 2024, the Group has leased properties under sub-lease arrangements and lease liabilities which amounted to approximately HK\$393,905,000 and HK\$353,351,000 respectively.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's IBR.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Management has engaged Valuer to determine the IBR. Significant estimations involved when no observable rates are available, especially the Group does not enter into financing transactions. The Group estimates the IBR using observable inputs such as comparable debt financing instruments with similar term, we therefore identified such as a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures to address the matter mainly included:

- Understanding the IBR adopted by the Group's management;
- Obtaining the valuation report on the IBR assessment and assessing the Valuer's competence, capabilities, independence and objectivity;
- Discussing and involving our internal valuation expert with the Group's management about the other assumptions made in the assessment and challenging the reasonableness of the key inputs including assessing the reasonableness of the reference based on relevant market data of comparable debt instruments, where appropriate; and
- Evaluating the sensitivity analysis performed by the Group's management on the key assumptions and assessing the potential impacts of a range of possible outcomes.

Independent Auditor's Report

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

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 directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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.

Independent Auditor's Report

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

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.

Infinity CPA Limited

Certified Public Accountants

Chan Kin Ming

Practising certificate number P07802

Hong Kong, 27 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	7	134,680	38,267
Other income and gains, net	8	5,877	7,831
Staff costs		(16,562)	(20,922)
Depreciation and amortisation expenses		(58,694)	(1,485)
Impairment loss on trade receivables		(794)	(81)
Property investment related expenses		(13,024)	–
Property management related expenses		(5,590)	(7,095)
Construction services related expenses		(18,674)	–
Other operating and administrative expenses		(7,730)	(7,809)
Fair value gain on investment properties		7,000	2,000
Profit from operations		26,489	10,706
Finance costs	10	(23,704)	(8,289)
Profit before tax		2,785	2,417
Income tax expense	11	(220)	(235)
Profit for the year	12	2,565	2,182
Other comprehensive income/(expense) <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		205	(545)
Other comprehensive income/(expense) for the year, net of tax		205	(545)
Total comprehensive income for the year		2,770	1,637
Profit for the year attributable to:			
Owners of the Company		2,565	2,509
Non-controlling interests		–	(327)
		2,565	2,182
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		2,770	1,963
Non-controlling interests		–	(326)
		2,770	1,637
Earnings per share	16		
Basic and diluted (<i>HK cent(s) per share</i>)		0.05	0.09

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Right-of-use assets	17	1,810	914
Investment properties	18	748,905	348,000
Deposits paid to the landlord	19	254,037	–
Property, plant and equipment	20	812	867
Goodwill	21	200	200
		1,005,764	349,981
Current assets			
Trade and other receivables	22	32,282	181,086
Inventories	23	1,095	1,089
Contract assets	24	3,715	–
Pledged bank deposits	25	11,947	15,332
Cash and cash equivalents	25	20,461	51,131
		69,500	248,638
Current liabilities			
Trade and other payables	26	43,199	227,917
Amounts due to related parties	27	11,295	–
Current tax liabilities		22	11
Lease liabilities	29	64,879	873
Bank borrowings	28	144,000	160,000
		263,395	388,801
Net current liabilities		(193,895)	(140,163)
Total assets less current liabilities		811,869	209,818
Non-current liabilities			
Amounts due to related parties	27	32,633	76,774
Lease liabilities	29	288,472	–
		321,105	76,774
NET ASSETS		490,764	133,044
Capital and reserves			
Share capital	31	317,635	140,955
Reserves	34	173,129	(7,803)
Equity attributable to owners of the Company		490,764	133,152
Non-controlling interests		–	(108)
TOTAL EQUITY		490,764	133,044

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2025 and are signed on its behalf by:

Mr. Huang Binghuang
Director

Ms. Xia Ping
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible bond equity component reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits/(accumulated losses) HK\$'000	Sub-total HK\$'000		
At 1 January 2023	140,955	26,770	-	121	-	(800)	(35,857)	131,189	-	131,189
Profit for the year	-	-	-	-	-	-	2,509	2,509	(327)	2,182
Other comprehensive income/(expense) for the year	-	-	-	-	-	(546)	-	(546)	1	(545)
Total comprehensive income/(expense) for the year	-	-	-	-	-	(546)	2,509	1,963	(326)	1,637
Contribution from a non-controlling interest	-	-	-	-	-	-	-	-	218	218
At 31 December 2023	140,955	26,770	-	121	-	(1,346)	(33,348)	133,152	(108)	133,044
At 1 January 2024	140,955	26,770	-	121	-	(1,346)	(33,348)	133,152	(108)	133,044
Profit for the year	-	-	-	-	-	-	2,565	2,565	-	2,565
Other comprehensive income for the year	-	-	-	-	-	205	-	205	-	205
Total comprehensive income for the year	-	-	-	-	-	205	2,565	2,770	-	2,770
Issue of convertible bonds (note 32)	-	-	79,759	-	-	-	-	79,759	-	79,759
Issue of shares upon conversion of convertible bonds (note 31)	176,680	176,680	(79,759)	-	-	-	-	273,601	-	273,601
Contribution from substantial shareholders	-	-	-	-	1,482	-	-	1,482	-	1,482
Disposal of a subsidiary (note 36)	-	-	-	-	-	-	-	-	108	108
At 31 December 2024	317,635	203,450	-	121	1,482	(1,141)	(30,783)	490,764	-	490,764

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities		
Profit before tax	2,785	2,417
Adjustments for:		
Depreciation of property, plant and equipment	387	395
Depreciation of right-of-use assets	1,060	1,090
Depreciation of investment properties	57,247	–
Interest income	(599)	(174)
Finance costs	23,704	8,289
Gain on disposal of a subsidiary	(341)	–
Fair value gain on investment properties	(7,000)	(2,000)
Impairment loss on trade receivables	794	81
Gain on disposal of property, plant and equipment	–	(320)
Operating cash flows before working capital changes	78,037	9,778
Change in inventories	6	(498)
Change in trade and other receivables	(29,165)	(174,855)
Change in trade and other payables	(20,048)	214,988
Cash generated from operations	28,830	49,413
Income tax paid	(209)	(215)
Net cash generated from operating activities	28,621	49,198
Cash flows from investing activities		
Purchase of property, plant and equipment	(342)	(372)
Deposits paid to the landlord	(305,200)	–
Proceeds on disposal of property, plant and equipment	–	320
Net cash inflow from disposal of a subsidiary	240	–
Additions in pledged bank deposits, net	3,385	(441)
Net cash outflow from acquisition of a subsidiary	–	(77)
Interest received	599	174
Net cash used in investing activities	(301,318)	(396)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Cash flows from financing activities		
Repayment to related parties	(4,256)	–
(Repayment to)/advance from the controlling shareholder	(20,131)	9,000
Repayment of lease liabilities (principal portion)	(47,113)	(1,089)
Lease interest paid	(13,807)	(50)
Contribution from a non-controlling interest	108	218
Repayment of bank borrowings	(16,000)	–
Interest paid on bank borrowings	(8,257)	(8,239)
Interest paid on shareholder loan	(158)	–
Issuance of convertible bonds	353,360	–
Net cash from/(used) in financing activities	243,746	(160)
Net (decrease)/increase in cash and cash equivalents	(28,951)	48,642
Effect of foreign exchange rate changes	(1,719)	(544)
Cash and cash equivalents at beginning of year	51,131	3,033
Cash and cash equivalents at end of year	20,461	51,131
Analysis of cash and cash equivalents		
Bank balances and cash	20,461	51,131

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

China Asia Valley Group Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Room 1237–1240, 12/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of this report, China Asia Group Inc., a company incorporated in British Virgin Islands with limited liability, is the immediate holding company and the ultimate holding company, and controlled by Mr. Huang Binghuang (the “Controlling Shareholder”).

2. BASIS OF PREPARATION

Going concern basis

The Group had net current liabilities of approximately HK\$193,895,000 as at 31 December 2024. The Group’s bank borrowings with a repayment on demand clause amounted to HK\$144,000,000 as at 31 December 2024 (the “Borrowings”). These conditions cast a significant doubt about the ability of the Group to continue as a going concern. Notwithstanding this fact, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months from 31 December 2024 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 2024, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months from the reporting date and the Directors consider that the Group is financially viable to continue as a going concern.

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

- (a) the Directors will take action to reduce costs;
- (b) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due;
- (c) the Controlling Shareholder has stated that he would not demand for repayment of balances due to him amounting to approximately HK\$21.04 million for at least twelve months; and

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. BASIS OF PREPARATION (CONTINUED)

Going concern basis (Continued)

- (d) the Group has obtained a letter from the bank after the end of the reporting period, in which it is stated that the bank does not expect the Borrowings would be demanded or cancelled in the next twelve months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the Directors do not consider that it is probable that any event of default will occur in the next twelve months from the date of the letter.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

3.1 Amendments to HKFRS Accounting Standards that are Mandatorily Effective for the Current Year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (CONTINUED)

3.2 New and Amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements 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	Contract Referencing Nature-dependent Electricity ²
Amendments to HKAS 28 and HKFRS 10	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 HKFRS Accounting Standards 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 statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss 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 will be 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the investment properties which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive expenses for the year between the non-controlling shareholders and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvement	Over the lease terms
Furniture and equipment	2 to 5 years
Motor vehicles	5 years

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in consolidated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings

Over the lease terms

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate ("IBR"). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less.

The Group as lessor

The Group leases equipment under finance leases and office spaces, retail stores and investment properties under operating leases to non-related parties.

Lessor — Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Leases (Continued)

The Group as lessor (Continued)

Lessor — Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Lessor — Subleases

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Inventories

Horticultural plants

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in consolidated profit or loss.

Financial assets of the Group are classified at financial assets at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Financial assets (Continued)

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in consolidated profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt and derivative components (derivative financial instruments) are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Revenue recognition (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Output method (Continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Other revenue

Rental income is recognised on a straight-line basis over the lease terms.

Interest income is recognised using the effective interest method.

Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income (subject to a ceiling of monthly relevant income of HK\$30,000). Contributions to the plan vest immediately.

The Group also participates in a defined contribution retirement scheme organised by the government in the The People’s Republic of China (the “PRC”). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Related parties

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

(A) A person or a close member of that person's family is related to the Group if that person:

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

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (A);
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Segment reporting

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

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

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations as explained in note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgments in applying accounting policies (Continued)

(b) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under 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. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(c) *Lease — Estimation of IBR*

The Group cannot readily determine the interest rate implicit in the leases, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available especially the Group does not enter into financing transactions. The Group estimates the IBR using observable inputs (such as similar debt financing instrument) when available and is required to make certain entity-specific estimates (such as the relevant subsidiary's stand-alone credit rating).

Using inaccurate rate may induce understatement of lease liabilities when a lower IBR was used.

(d) *Operating lease — Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of 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:

(a) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgment and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

(b) Impairment of trade and other receivables and contract assets

The Group makes allowances on trade and other receivables and contract assets based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 22.

(c) Impairment assessment of leased properties under sub-lease arrangements

The Group assesses whether there are any indicators of impairment for leased properties under sub-lease arrangements at the end of the reporting period.

Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or assets group exceeds its recoverable amount, which is the higher of the fair value less costs of disposal and the value in use.

(d) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, including Hong Kong dollars ("HK\$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2024 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, pledged bank deposits and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

- actual or expected significant changes in the operating results of the customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition		Loss provision			
Performing	Low risk of default and strong capacity to pay		12 month expected losses			
Non-performing	Significant increase in credit risk		Lifetime expected losses			
	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	Gross carrying amount	
					At 31 December 2024	At 31 December 2023
Financial assets at amortised cost						
Trade receivables	22	N/A	Low risk	12-month ECL	29,260	4,802
Contract assets	24	N/A	Low risk	12-month ECL	3,715	–
Deposits and other receivables	19, 22	N/A	Low risk	12-month ECL	256,036	174,074
Pledged bank deposits	25	N/A	Low risk	12-month ECL	11,947	15,332
Cash and cash equivalents	25	N/A	Low risk	12-month ECL	20,461	51,131

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Effective interest rate	On demand or less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years less than 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2024							
Trade and other payables	NA	43,199	–	–	–	43,199	43,199
Amounts due to related parties	0.206%	11,295	32,633	–	–	43,928	43,928
Bank borrowings (note)	5.337%	23,710	134,636	–	–	158,346	144,000
Lease liabilities	3.41%	89,234	81,482	177,112	91,423	439,251	353,351
		167,438	248,751	177,112	91,423	684,724	584,478
At 31 December 2023							
Trade and other payables	NA	227,917	–	–	–	227,917	227,917
Amount due to a related party	0.206%	158	76,774	–	–	76,932	76,774
Bank borrowings	5.337%	23,710	158,346	–	–	182,056	160,000
Lease liabilities	2.520%	895	–	–	–	895	873
		252,680	235,120	–	–	487,800	465,564

Note: After the end of the reporting period, the Group has obtained a letter from the bank on, the bank do not expect the Borrowings would be demanded or cancelled in the next 12 months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the Group will occur the event of default in the next 12 months from the date of the letter. Therefore, the non-current portion of the Borrowings will be classified into more than 1 year but less than 2 years in this table.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and Prime rate arising from the Group's HK\$ denominated borrowing.

At 31 December 2024, if the interest rates had been 100 basis points lower with all other variables held constant, consolidated profit for the year would have been HK\$1,333,000 higher (consolidated profit for the year 2023: HK\$1,195,000 higher), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit for the year would have been HK\$1,333,000 lower (consolidated profit for the year 2023: HK\$1,195,000 lower), arising mainly as a result of higher interest expense on bank borrowings.

The Group's exposure to fair value interest rate risk arises primarily from the Group's lease liabilities which carry interest at fixed interest rates.

(e) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	66,315	245,076
Financial liabilities:		
Financial liabilities at amortised cost	584,478	465,564

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2024				
Investment Properties				
– Residential units – Hong Kong	–	–	355,000	355,000
At 31 December 2023				
Investment Properties				
– Residential units – Hong Kong	–	–	348,000	348,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values (Continued)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2024 and 2023:

The Directors are responsible for the fair value measurements of assets required for financial reporting purposes.

Level 3 fair value measurements

Description	Valuation technique	Key Inputs	Fair Value	
			2024 HK\$'000	2023 HK\$'000
Residential units located in Hong Kong	Income Approach	Capitalisation rate of 4% (2023: 3.5%); rent at an average of HK\$47.29 (2023: HK\$46.47) per square feet per month per square feet on net floor area basis for the purpose of deriving at reversionary potential of the property interest	355,000	348,000

During the two years, there were no changes in the valuation methodology adopted by the Group for its investment properties. The income approach is used for residential units with tenancy agreements at year end as this valuation technique takes into account the current rent receivable from tenancy agreements and reversionary potential of the property interests.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2024 HK\$'000	2023 HK\$'000
Rental income from investment properties	7,096	6,398
Rental income from leased properties under sub-lease arrangement	81,887	–
Provision of property management and other related services	16,312	25,365
Construction services	23,108	–
Provision of horticultural services and sales of plants	6,277	6,504
	134,680	38,267

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

8. OTHER INCOME AND GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Interest income on bank deposits	599	174
Gain on disposal of property, plant and equipment	–	320
Gain on disposal of a subsidiary	341	–
Imputed interest income of deposits paid	3,405	–
Reversal of over provision of staff salaries	–	6,745
Others	1,532	592
	5,877	7,831

9. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about the components of the Group that are regularly received and reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Directors of the Company.

The Group has four operating segments as follows:

Property investment – engages in leasing out residential properties in Hong Kong and leasing services of leased properties under sub-lease arrangements in the PRC

Horticultural services and sale of plants – provides horticultural services and sales of plants

Property management and other related services – provides building management and other related services

Construction services – provides construction services for buildings and related services in the PRC (a new business established during the year)

The Group's reportable segments for financial reporting properties are the four (2023: three) operating segments described above, which are strategic business units that offer different products and services. They are managed separately because each business requires different skills and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, unallocated other income, finance costs and income tax expense. Segment assets do not include pledged bank deposits and unallocated corporate assets. Segment liabilities do not include bank borrowings, amounts due to related parties, unallocated corporate liabilities and current tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue

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

	2024 HK\$'000	2023 HK\$'000
Disaggregated by major products or services		
– Provision of construction services	23,108	–
– Provision of property management and other related services	16,312	25,365
– Provision of horticultural services and sales of plants	6,277	6,504
Revenue from contracts with customers	45,697	31,869
Rental income from leased properties under sub-lease arrangement	81,887	–
Rental income from investment properties	7,096	6,398
Total revenue	134,680	38,267

Timing of revenue recognition

	2024			2023		
	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Provision of construction services	–	23,108	23,108	–	–	–
Provision of property management and other related services	–	16,312	16,312	–	25,365	25,365
Provision of horticultural services and sales of plants	943	5,334	6,277	1,018	5,486	6,504
Total	943	44,754	45,697	1,018	30,851	31,869

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue (Continued)

Provision of property management and other related services

Revenue from property management and other related services are recognised when the services are rendered.

Provision of horticultural services and sales of plants

The Group sells plants to the customers. Sales are recognised when control of the plants has transferred, being when the plants are delivered to the customer, there is no unfulfilled obligation that could affect the customer's acceptance of the plants and the customer has obtained legal titles to the plants.

Revenue from horticultural services is recognised when the services are rendered.

Provision of horticultural services and sales of plants to customers are normally made with credit terms of 30 days. A receivable is recognised when the plants are delivered or services are rendered to the customers as this is the point in time or over time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of construction services

The Group provides construction services for buildings and related services in the PRC. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and 2023 and the expected timing of recognising revenue are as follows:

	2024 HK\$'000	2023 HK\$'000
Construction services		
Within 1 year	19,094	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(b) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2024

	Property investment HK\$'000	Horticultural services and sale of plants HK\$'000	Property management and other related services HK\$'000	Construction services HK\$'000	Total HK\$'000
Revenue from customers	88,983	6,287	16,312	23,108	134,690
Intersegment revenue	–	(10)	–	–	(10)
Segment revenue from external customers	88,983	6,277	16,312	23,108	134,680
Segment profit	6,785	1,997	10,191	1,264	20,237
Other income and gains, net					5,046
Unallocated depreciation of property, plant and equipment and right-of-use assets					(1,224)
Other operating and administrative expenses					(11,360)
Finance costs					(9,914)
Profit before tax					2,785

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(b) Segment revenues and results (Continued)

For the year ended 31 December 2023

	Property investment HK\$'000	Horticultural services and sale of plants HK\$'000	Property management and other related services HK\$'000	Total HK\$'000
Revenue from customers	6,398	6,515	25,841	38,754
Intersegment revenue	–	(11)	(476)	(487)
Segment revenue from external customers	6,398	6,504	25,365	38,267
Segment profit	10,682	3,128	7,453	21,263
Other income and gains, net				875
Unallocated depreciation of property, plant and equipment and right-of-use assets				(1,198)
Other operating and administrative expenses				(10,234)
Finance costs				(8,289)
Profit before tax				2,417

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	At 31 December 2024 HK\$'000	At 31 December 2023 HK\$'000
Segment assets		
Property investment	1,025,391	349,191
Construction services	27,553	–
Horticultural services and sale of plants	2,659	1,913
Property management and other related services	4,163	12,104
Total segment assets	1,059,766	363,208
Pledge bank deposits	11,947	15,332
Unallocated assets:		
Right-of-use assets	1,616	859
Cash and cash equivalents	700	42,704
Other assets	1,235	176,516
Consolidated total assets	1,075,264	598,619
Segment liabilities		
Property investment	384,929	1,370
Construction services	26,624	–
Horticultural services and sale of plants	1,115	1,145
Property management and other related services	4,356	2,492
Total segment liabilities	417,024	5,007
Bank borrowings	144,000	160,000
Amounts due to related parties	21,035	76,774
Current tax liabilities	22	11
Unallocated liabilities:		
Other liabilities	807	222,910
Lease liabilities	1,612	873
Consolidated total liabilities	584,500	465,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(d) Other segment information

	Property investment HK\$'000	Horticultural services and sale of plants HK\$'000	Property management and other related services HK\$'000	Construction services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2024						
Amounts included in measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment and right-of-use assets	-	207	16	-	1,224	1,447
Depreciation of investment properties	57,247	-	-	-	-	57,247
Fair value gain of investment properties	7,000	-	-	-	7,000	7,000
Other income	485	230	111	5	5,046	5,877
Impairment loss on trade receivables	-	-	794	-	-	794
Additions to non-current assets	201	-	-	141	-	342

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(d) Other segment information (Continued)

	Property investment HK\$'000	Horticultural services and sale of plants HK\$'000	Property management and other related services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2023					
Amounts included in measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment and right-of-use assets	–	264	21	1,200	1,485
Fair value gain of investment properties	2,000	–	–	–	2,000
Gain on disposal of property, plant and equipment	–	–	–	320	320
Other income	5,926	997	33	555	7,511
(Reversal of)/impairment loss on trade receivables	(155)	–	236	–	81
Additions to non-current assets	–	–	–	372	372

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For the year ended 31 December 2024

9. SEGMENT INFORMATION (CONTINUED)

(d) Other segment information (Continued)

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong	13,375	12,953	661,636	349,938
The PRC except Hong Kong	121,305	25,314	344,128	43
Consolidated total	134,680	38,267	1,005,764	349,981

Revenue from major customers contributing 10% or more to the Group's revenue is as follows:

	2024 HK\$'000	2023 HK\$'000
Construction services – Customer A (note)	23,108	–

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Except disclosed above, no other customers contributed 10% or more to the Group's revenue for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on bank borrowings	8,257	8,239
Interest paid in lease liabilities	13,807	50
Interest on loan from Controlling Shareholder	158	–
Interest on convertible bonds	1,482	–
	23,704	8,289

11. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current income tax – PRC Corporate Income Tax – Provision for the year	220	235

No provision for Hong Kong Profits Tax has been made since the Company and its subsidiaries either have sufficient tax losses brought forward to set off against assessable profits or did not generate any assessable profits for the years ended 31 December 2024 and 2023. Should provision for Hong Kong Profits Tax be required, it is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tier Profit Tax rate regime.

PRC Corporate Income Tax of the subsidiaries of the Company in the PRC has been provided at applicable rates on the estimated assessable profits for the years ended 31 December 2024 and 2023. The applicable rates which may be lower than the standard rate of corporate tax at 25% represent the tax concessionary rates available to the small and medium-size enterprises in the PRC and are shown as follows:

Band of profits in Renminbi	Applicable rates
Within 1 million	2.5%
Between 1 to 3 million	5%
Over 3 million	25%

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For the year ended 31 December 2024

11. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2024 HK\$'000	2023 HK\$'000
Profit before tax	2,785	2,417
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	459	399
Tax effect of expenses that are not deductible	1,968	3,412
Tax effect of income that is not taxable	(313)	(564)
Tax effect of utilisation of tax losses not previously recognised	(938)	(1,763)
Tax effect of temporary differences not recognised	11	20
Tax effect of tax concession	(1,820)	(1,887)
Tax effect of different tax rates of subsidiaries	853	618
	220	235

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration	590	550
Cost of inventories sold or consumed	1,196	1,039
Depreciation of property, plant and equipment	387	395
Depreciation of right-of-use assets	1,060	1,090
Depreciation of investment properties	57,247	–
Expenses related to short-term leases	5	19
Gain on disposal of subsidiaries	(341)	–
Greening costs	76	55
Property management services fees	–	1,540
Building management, cleaning and utilities expenses	832	1,170
Maintenance costs	1,570	1,813
Legal and professional service fees (including the auditor's remuneration disclosed above)	2,781	2,515
Gain on disposal of property, plant and equipment	–	(320)
Direct operating expenses incurred for investment properties that generated rental income during the year	1,684	3,033
Direct operating expenses incurred for investment properties that did not generate rental income during the year	332	122

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. EMPLOYEE BENEFITS EXPENSE

	2024 HK\$'000	2023 HK\$'000
Staff costs including directors' remunerations:		
Salaries and allowances	15,381	19,215
Retirement benefit scheme contributions	993	1,229
Total employee benefits expense	16,374	20,444
Other employee welfare	188	478
Staff costs	16,562	20,922

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2023: three) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2023: two) individuals are set out below:

	2024 HK\$'000	2023 HK\$'000
Basic salaries and allowances	1,545	1,534
Retirement benefit scheme contributions	36	36
	1,581	1,570

None of these individuals received any emolument from the Group as an inducement to join the Group or compensation for loss of office, nor waived or has agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

The emoluments fell within the following band:

	2024	2023
Nil to HK\$1,000,000	2	2

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For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:				
Huang Binghuang	–	1,000	18	1,018
Xia Ping	–	500	–	500
Wang Lijiao	–	600	18	618
	–	2,100	36	2,136
Independent non-executive directors:				
Duan Rihuang	200	–	–	200
Wang Rongfang	240	–	–	240
Tso Sze Wai	240	–	–	240
	680	–	–	680
Total for 2024	680	2,100	36	2,816

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For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:				
Huang Binghuang	–	1,000	36	1,036
Xia Ping	–	500	–	500
Wang Lijiao	–	600	11	611
	–	2,100	47	2,147
Independent non-executive directors:				
Duan Rihuang	200	–	–	200
Wang Rongfang	240	–	–	240
Tso Sze Wai	240	–	–	240
	680	–	–	680
Total for 2023	680	2,100	47	2,827

None of the Directors waived any remuneration during the year ended 31 December 2024 (2023: Nil).

During the years ended 31 December 2024 and 2023, there was no emoluments paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for her services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDENDS

The board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

16. EARNINGS PER SHARE

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

	2024 HK\$'000	2023 HK\$'000
Profit:		
Profit for the purpose of calculating basic and diluted earnings per share attributable to owners of the Company	2,565	2,509
	2024 '000	2023 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	5,469,302	2,819,102

The basic and diluted earnings per share were the same as the Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

17. RIGHT-OF-USE ASSETS

	Land and buildings HK\$'000
Cost	
At 1 January 2023	3,465
Additions	1,640
Derecognition	(3,191)
At 31 December 2023 and 1 January 2024	1,914
Additions	1,956
Derecognition	(1,914)
At 31 December 2024	1,956
Accumulated depreciation:	
At 1 January 2023	3,101
Charge for the year	1,090
Derecognition	(3,191)
At 31 December 2023 and 1 January 2024	1,000
Charge for the year	1,060
Derecognition	(1,914)
At 31 December 2024	146
Carrying amount	
At 31 December 2024	1,810
At 31 December 2023	914

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For the year ended 31 December 2024

17. RIGHT-OF-USE ASSETS (CONTINUED)

	2024 HK\$'000	2023 HK\$'000
Expenses relating to short-term leases	5	19
Repayment of principal portion of lease liabilities	1,109	1,089
Interest paid in lease liabilities	27	50
Total cash outflows for leases for the year	1,141	1,158

The Group leases its office and flower garden. Lease agreements are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

18. INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
At fair value model (note a)	355,000	348,000
At cost model (note b)	393,905	-
	748,905	348,000

Note a:

	2024 HK\$'000	2023 HK\$'000
At 1 January	348,000	346,000
Fair value gain	7,000	2,000
At 31 December	355,000	348,000

The investment properties are held on long term lease in Hong Kong.

The fair values of the Group's investment properties as at 31 December 2024 and 2023 have been arrived on the basis of a valuation carried out on respective dates by Libral Appraisal Limited, an independent qualified professional valuer not connected to the Group. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors. Details refer to the note 6(f)(b) to the consolidated financial statements.

At 31 December 2024, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounted to HK\$355,000,000 (2023: HK\$348,000,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18. INVESTMENT PROPERTIES (CONTINUED)

Note b:

	Lease properties under sub-lease arrangements HK\$'000
Cost	
At 1 January 2024	–
Additions	456,160
Exchange realignment	(5,771)
At 31 December 2024	450,389
Accumulated depreciation:	
At 1 January 2024	–
Charge for the year	57,247
Exchange realignment	(763)
At 31 December 2024	56,484
Carrying amount	
At 31 December 2024	393,905

In 2024, the Group entered into lease agreements with Shenzhen Tanggang China Asia Electronic City Group Co., Ltd.* (深圳市堂崗中亞電子城集團有限責任公司) ("**China Asia Electronic**"), for a term of 10 years ("**Transaction**"). China Asia Electronic is a property investment company established in the PRC and is 60% owned by Mr. Huang Binghuang, an executive director, the chairman, chief executive officer and the substantial shareholder of the Company. For more details, please refer to the Company's circular dated 31 October 2023. The Transaction completed in 2024. China Asia Electronic holds a 268,860.63 square-meter area within the Silicon Valley Industrial Park ("**Properties**"). The Group has sub-leased these properties to tenants to earn rental income.

19. DEPOSITS PAID TO THE LANDLORD

	2024 HK\$'000	2023 HK\$'000
Deposits paid to the landlord (<i>note</i>)	254,037	–

As at 31 December 2024, the Group has made a deposit of approximately HK\$254,037,000 to the landlord in relation to the leased properties under sub-lease arrangements.

The directors of the Company has assessed the financial position of the counterparty and are of the opinion that there was no significant credit risk and the expected credit loss was limited to 12-months expected credit losses. Therefore, ECL rate of these deposits were assessed to be close to zero and no provision was made as at 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment HK\$'000	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2023	2,552	1,457	1,611	5,620
Additions	63	309	–	372
Disposal	–	–	(766)	(766)
Exchange realignment	(2)	–	–	(2)
At 31 December 2023 and 1 January 2024	2,613	1,766	845	5,224
Additions	285	57	–	342
Disposal of a subsidiary (note 36)	(10)	–	–	(10)
Exchange realignment	(3)	–	–	(3)
At 31 December 2024	2,885	1,823	845	5,553
Accumulated depreciation and impairment loss				
At 1 January 2023	2,202	1,322	1,205	4,729
Charge for the year	129	97	169	395
Disposal	–	–	(766)	(766)
Exchange realignment	(1)	–	–	(1)
At 31 December 2023 and 1 January 2024	2,330	1,419	608	4,357
Charge for the year	162	112	113	387
Disposal of a subsidiary	(1)	–	–	(1)
Exchange realignment	(2)	–	–	(2)
At 31 December 2024	2,489	1,531	721	4,741
Carrying amount				
At 31 December 2024	396	292	124	812
At 31 December 2023	283	347	237	867

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

21. GOODWILL

	2024 HK\$'000	2023 HK\$'000
Cost		
At 1 January	200	–
Addition (note 35)	–	200
At 31 December	200	200

Goodwill was allocated to the provision of property management and other related services operating segment.

Goodwill of approximately HK\$200,000 arose from the acquisition of 100% equity interest in Century Elegant Limited (“CEL”) and was recognised at the date of acquisition, i.e. 16 November 2023. CEL is principally engaged in provision of property management and other related services.

The recoverable amount of the CGU of CEL has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period with growth rates of 2% (2023: 2%) per annum for the first year, 0% (2023: 0%) per annum for the second to fifth year, with the growth rate of 0% (2023: 0%) after the five-year period and at a pre-tax discount rate of 4.5% (2023: 4.5%). Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows, including budgeted income which is based on the past performance of the CGU and management’s expectations for the market development. Based on the impairment assessment, the directors of the Company consider that no impairment of goodwill is recognised for the year ended 31 December 2023 based on the recoverable amount of the CGU of CEL.

Notes to the Consolidated Financial Statements

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22. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	29,260	4,802
Provision for impairment loss	(1,057)	(263)
	28,203	4,539
Prepayments	2,090	2,473
Rental and other deposits	576	573
Deposits paid landlord (note)	–	172,760
Other receivables	1,413	741
	32,282	181,086

Note:

The landlord is a connected person under the Chapter 14A of the Listing Rules. The Group has made a deposit of approximately HK\$172,760,000 for the year ended 31 December 2023 to the landlord in relation to very substantial acquisition and connected transaction in relation to the tenancy agreement, the details refer to the circular dated 31 October 2023. This very substantial acquisition has been completed in 2024, the deposits paid to the landlord have been classified as non-current assets as at 31 December 2024.

The directors of the Company has assessed the financial position of the counterparty and are of the opinion that there was no significant credit risk and the expected credit loss was limited to 12-months expected credit losses. Therefore, ECL rate of these deposits were assessed to be close to zero and no provision was made as at 31 December 2023

The credit term is generally 30 days for horticultural services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2024 HK\$'000	2023 HK\$'000
0 to 90 days	25,232	2,750
91 to 180 days	256	1,032
181 to 365 days	1,582	681
Over 365 days	1,133	76
	28,203	4,539

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For the year ended 31 December 2024

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

An allowance was made for estimated irrecoverable trade receivables of approximately HK\$794,000 (2023: HK\$81,000) for the year ended 31 December 2024.

Reconciliation of allowance for trade receivables:

	2024 HK\$'000	2023 HK\$'000
At 1 January	263	182
Impairment during the year	794	81
At 31 December	1,057	263

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Up to 3 months past due	3 to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
At 31 December 2024						
Weighted average expected loss rate	–	3%	10%	10%	20%	
Receivable amount (HK\$'000)	12,349	13,281	285	1,842	1,503	29,260
Loss allowance (HK\$'000)	–	(398)	(28)	(184)	(447)	(1,057)
At 31 December 2023						
Weighted average expected loss rate	–	3%	10%	10%	15%	
Receivable amount (HK\$'000)	832	2,143	887	681	259	4,802
Loss allowance (HK\$'000)	–	(65)	(89)	(70)	(39)	(263)

23. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Horticultural plants	555	607
Others	540	482
	1,095	1,089

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For the year ended 31 December 2024

24. CONTRACT ASSETS

	2024 HK\$'000	2023 HK\$'000
Contract assets	3,715	–
Less: Provision for impairment losses	–	–
	3,715	–

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in contract assets comprises retention receivables of approximately HK\$3,715,000 as at 31 December 2024. Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Group, while the remaining will be released to the Group upon the expiration of the defects liability period.

The retention receivables, before recognition of impairment loss, would be settled, based on the expiry of the defect liability period, at the end of the reporting period as follow:

	2024 HK\$'000	2023 HK\$'000
Within one period	3,715	–

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2024 HK\$'000	2023 HK\$'000
Cash at bank and on hand	32,408	66,463
Less: Pledged bank deposits	(11,947)	(15,332)
Cash and cash equivalents	20,461	51,131

The Group's pledged bank deposits represented deposits pledged to bank to secure bank borrowings granted to the Group as set out in note 28 to the consolidated financial statements.

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26. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	3,570	778
Other payables and accrued charges	24,340	6,025
Other tax payables	555	118
Contract liabilities	14,734	1,086
Receipt from bondholders (note)	–	219,910
	43,199	227,917

Note: The Company received approximately HK\$219,910,000 from bondholders in relation to the very substantial acquisition and connected transaction in relation to the tenancy agreement and proposed issue of convertible bond, the details refer to the circular of the Company dated 31 October 2023. This very substantial acquisition has been completed and convertible bond has been fully converted into shares of the Company during the year ended 31 December 2024.

The aging analysis of trade payables, based on the date of receipt of goods or services, is as follows:

	2024 HK\$'000	2023 HK\$'000
0 to 90 days	1,305	50
91 to 180 days	2,265	–
Over 365 days	–	728
	3,570	778

The analysis of other payables and accrued charges are as follows:

	2024 HK\$'000	2023 HK\$'000
Accrued operating expenses	4,517	2,001
Accrued salaries to former directors	–	421
Other payables	1,675	1,245
Provision for long service payment	829	1,060
Rental deposit received	17,319	1,298
	24,340	6,025

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27. AMOUNTS DUE TO RELATED PARTIES

	2024 HK\$'000	2023 HK\$'000
Amount due to a related company (note a)	22,893	–
Amount due to the Controlling Shareholder (note b)	21,035	76,774
	43,928	76,774
Less: non-current portion	(32,633)	(76,774)
Current portion	11,295	–

Notes:

- As at 31 December 2024, the amount due to a related company is related to a relative of the controlling shareholder, the balance is interest free, unsecured and repayable on demand except for approximately HK\$11,598,000 is repayable after twelve months of the end of the reporting period.
- As at 31 December 2024, the amount due to the Controlling Shareholder consisted of HK\$6,000,000 (2023: HK\$9,000,000) which is unsecured with 3% (2023: 3%) interest rate per annum and approximately HK\$15,035,000 (2023: HK\$67,774,000) are unsecured with interest-free which are repayable after twelve months of the end of the reporting period, the remaining balances are interest free, unsecured and repayable after twelve months of the end of the reporting period.

28. BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Bank borrowings	144,000	160,000

The bank borrowings contain a repayment on demand clause. According to the repayment schedule, the bank borrowings are repayable as follow:

	2024 HK\$'000	2023 HK\$'000
Repayable on demand	144,000	160,000

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28. BANK BORROWINGS (CONTINUED)

Without the effect of the repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable:

	2024 HK\$'000	2023 HK\$'000
Within one year	16,000	16,000
In the second year	16,000	16,000
In the third year to fifth year, inclusive	112,000	128,000
	144,000	160,000

The Company's bank borrowings are denominated in HK\$.

The interest rate of the Company's bank borrowings as at 31 December 2024 was 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower (2023: 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower).

The bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank borrowings of HK\$144,000,000 (2023: HK\$160,000,000) are secured by (i) the investment properties of carrying amount of HK\$355,000,000 as disclosed in note 18 to the consolidated financial statements (2023: HK\$348,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2023: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2023: HK\$7,000,000), (iv) deposit of rental income from investment properties to a designated bank account which is charged to the bank, and (v) maintenance of an occupancy rate of 60% or above in investment properties (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three months) (2023: 60% or above).

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For the year ended 31 December 2024

29. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Within one year	89,234	895	64,879	873
In the second to fifth years, inclusive	258,524	–	204,179	–
Over 5 years	91,423	–	84,293	–
	439,181	895	353,351	873
Less: Future finance charges	(85,830)	(22)	N/A	N/A
Present value of lease liabilities	353,351	873	353,351	873
Less: Amount due for settlement within 12 months (shown under current liabilities)			(64,879)	(873)
Amount due for settlement after 12 months			288,472	–

At 31 December 2024, the average effective incremental borrowing rate was ranging from 5% to 6.5% (2023: 3%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

30. DEFERRED TAX

At 31 December 2024, the Group has unused tax losses of approximately HK\$342,423,000 (2023: HK\$340,155,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of approximately HK\$342,423,000 (2023: HK\$340,155,000) that are available for offsetting against future profits do not expire under current tax legislation in Hong Kong. All tax losses are subjected to be agreed by tax authority.

31. SHARE CAPITAL

	2024 HK\$'000	2023 HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.05 each	1,000,000	1,000,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. SHARE CAPITAL (CONTINUED)

	Number of shares in issue		Share capital	
	2024	2023	2024 HK\$'000	2023 HK\$'000
Ordinary shares of HK\$0.05 each				
At 1 January	2,819,102,084	2,819,102,084	140,955	140,955
Conversion of the convertible bonds (note)	3,533,600,000	–	176,680	–
At 31 December	6,352,702,084	2,819,102,084	317,635	140,955

Note: During the year ended 31 December 2024, the Company issued the Convertible Bond in the aggregate principal amount of HK\$353,360,000 at an interest rate of 3.6% per annum for 3,533,600,000 shares. Subsequent to the issuance of the Convertible Bond, the Subscribers converted all the Convertible Bonds and 3,533,600,000 shares of the Company have then been issued. The owners of all ordinary shares including the Conversion Shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the meeting of the Company. All ordinary shares including the Conversion Shares rank equally with regard to the Company's residual assets.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

The Group's long-term policy, which was decreased from 2023, is that net debt should be in the range of 23% to 70% of adjusted capital. This policy aims to ensure that the Group secures access to finance at a reasonable cost and lowers its net of tax weighted average cost of capital. The debt-to-adjusted capital ratios at 31 December 2024 and 2023 were as follows:

	2024 HK\$'000	2023 HK\$'000
Total debt	144,000	160,000
Less: pledged bank deposits	(11,947)	(15,332)
Less: cash and cash equivalents	(20,461)	(51,131)
Net debt	111,592	93,537
Equity attributable to owners of the Company	490,764	133,152
Debt-to-adjusted capital ratio	23%	70%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. SHARE CAPITAL (CONTINUED)

The externally imposed capital requirements for the Group are:

(i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

32. CONVERTIBLE BONDS

The Company issued convertible bonds with a principal amount of HK\$353,360,000 on 28 March 2024.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	<i>HK\$'000</i>
Fair value of convertible bonds at the date of issuance	353,360
Less: Equity component	(79,759)
Liability component at the date of issuance	273,601
Interest on convertible bonds	1,482
Conversion of convertible bonds	(275,083)
Liability component at 31 December 2024	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Property, plant and equipment	18	17
Investment in subsidiaries	7,813	7,813
Investment properties	49,918	–
Deposits paid to the landlord	254,037	–
	311,786	7,830
Current assets		
Prepayments, deposits and other receivables	1,459	173,100
Pledged bank deposits	4,908	15,332
Cash and cash equivalents	7,082	43,728
	13,449	232,160
Current liabilities		
Other payables	3,772	1,496
Amounts due to subsidiaries	49,374	34,269
Receipt from bondholders	–	219,910
Amounts due to related parties	45,780	–
Lease liabilities	547	–
Bank borrowings	144,000	160,000
	243,473	415,675
Net current liabilities	(230,024)	(183,515)
Total assets less current liabilities	81,762	(175,685)
Non-current liabilities		
Amount due to related parties	–	76,774
NET ASSETS/NET LIABILITIES	81,762	(252,459)
Capital and reserves		
Share capital	317,635	140,955
Reserves	(235,873)	(393,414)
TOTAL EQUITY/DEFICIENCY IN ASSETS	81,762	(252,459)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company:

	Share premium HK\$'000	Convertible bond equity component reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	26,770	-	121	-	234,897	(637,690)	(375,902)
Total comprehensive expense for the year	-	-	-	-	-	(17,512)	(17,512)
At 31 December 2023 and 1 January 2024	26,770	-	121	-	234,897	(655,202)	(393,414)
Issue of convertible bonds	-	79,759	-	-	-	-	79,759
Share issued upon conversion of convertible bonds	176,680	(79,759)	-	-	-	-	96,921
Total comprehensive expense for the year	-	-	-	-	-	(20,621)	(20,621)
Contribution from substantial shareholders	-	-	-	1,482	-	-	1,482
At 31 December 2024	203,450	-	121	1,482	234,897	(675,823)	(235,873)

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium reserve

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) Capital redemption reserve

The application of the capital redemption reserve is governed by the Companies Act 1981 of Bermuda.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(iii) Contributed surplus

The contributed surplus of the Company represents the difference between the nominal value of the shares issued by the Company and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of contributed surplus in certain circumstances.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(v) Capital reserve

The substantial shareholders has waived the interest of convertible bonds during the year ended 31 December 2024.

35. BUSINESS COMBINATION

On 16 November 2023, the Group acquired a 100% interest in Century Elegant Limited ("CEL"). CEL is engaged in the provision of property management and other related services in Hong Kong. The purchase consideration for the acquisition was in the form of cash, with HK\$200,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of CEL as at the date of acquisition were as follows:

	HK\$'000
Trade and other receivables	6
Cash and cash equivalents	123
Trade and other payables	(129)
Net assets	—
Goodwill on acquisition	200
Satisfied by cash	200

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

35. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK\$'000
Cash consideration	200
Cash and bank balances acquired	(123)
Net outflow of cash and cash equivalents included in cash flows from investing activities	77

Since the acquisition, CEL contributed approximately HK\$51,000 to the Group's revenue and approximately HK\$146,000 to the consolidated loss for the year ended 31 December 2023.

Had the combination taken place at the end of the year, the revenue of the Group and the profit of the Group for the year would have been approximately HK\$38,267,000 and approximately HK\$2,182,000, respectively.

36. DISPOSAL OF A SUBSIDIARY

On 9 October 2024, the Group disposed of its subsidiary, Guizhou Zhonghan Construction Co., Limited* ("貴州中瀚建築工程有限責任公司") ("Guizhou Zhonghan") which is mainly engaged in the provision of construction services of the Group. The net liabilities of Guizhou Zhonghan at the date of disposal were as follows:

Consideration received:

	HK\$'000
Cash received	240

* For identification purposes only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

36. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Analysis of assets and liabilities as at the date of disposal over which control was lost:

	<i>HK\$'000</i>
Properties, plant and equipment	10
Inventories	481
Other receivables	711
Trade and other payables	(1,411)
	(209)
Gain on disposal of a subsidiary:	
	<i>HK\$'000</i>
Consideration received	240
Non-controlling interest	(108)
Net liabilities disposal of	209
	341
Net cash inflow arising on disposal:	
Cash consideration	240

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2024

- (i) The Group had non-cash additions to leased properties under sub-lease arrangements and lease liabilities of approximately HK\$404,702,000 during the year ended 31 December 2024, details refer to the note 29 to the consolidated financial statements.

During the year ended 31 December 2023

- (i) On 31 July 2023, the Controlling Shareholder, the ultimate holding company and the Company signed an undertaking agreement, the amount due to ultimate holding company has been transferred to the Controlling Shareholder amounting to HK\$65,357,000.

(b) Reconciliation of liabilities arising from financing activities

	Liabilities portion of convertible bonds HK\$'000	Amounts due to related parties HK\$'000	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 January 2023	–	67,638	322	160,000	227,960
Changes in cash flows	–	9,000	(1,139)	(8,239)	(378)
Non-cash changes					
– Inception of new lease	–	–	1,640	–	1,640
– Interest expenses	–	–	50	8,239	8,289
– Transfer to related parties	–	136	–	–	136
At 31 December 2023 and 1 January 2024	–	76,774	873	160,000	237,647
Changes in cash flows	353,360	(24,545)	(60,920)	(24,257)	243,638
Non-cash changes					
– Inception of new lease	–	–	404,702	–	404,702
– Interest expenses	1,482	158	13,807	8,257	23,704
– Transfer to related parties	–	(8,459)	–	–	(8,459)
– Equity portion	(79,759)	–	–	–	(79,759)
– Conversion	(275,083)	–	–	–	(275,083)
Exchange realignment	–	–	(5,111)	–	(5,111)
At 31 December 2024	–	43,928	353,351	144,000	541,279

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK\$88,983,000 (2023: HK\$6,398,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2% (2023: 2%) on an ongoing basis.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases and were receivable as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	91,408	5,567
In the second to fifth year inclusive	258,524	2,174
Over five years	91,423	–
	441,355	7,741

39. RELATED PARTY TRANSACTIONS

Apart from disclosures elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

(i) Transactions with related parties

	2024 HK\$'000	2023 HK\$'000
Interest expense to the Controlling Shareholder (note a)	158	158
Finance lease payment to China Asia Electronic in relation to the leased properties under sub-lease arrangements (note b)	51,143	–

Notes:

- During the year ended 31 December 2024, these transactions with related party constituted fully exempted continuing connected transactions of the Group. These transactions are de minimis transactions under Rule 20.74(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the Listing Rules.
- These transactions with China Asia Electronic are detailed in the circular dated 31 October 2024.

(ii) Key management personnel compensation

The emoluments of the directors (executive and non-executive) of the Group during the year are disclosed in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group, as at 31 December 2024 were as follows:

Name	Place of incorporation/establishment and operation and nature of legal entity	Percentage of ownership interest		Principal activities
		Indirect	Direct	
China Graphene Holdings Limited	British Virgin Islands, limited liability company	100%	–	Investment holding
Cheung Kee Garden Limited	Hong Kong, limited liability company	–	100%	Provision of horticultural services and sales of plants
Super Homes Limited	Hong Kong, limited liability company	–	100%	Investment properties holding
Century Elegant Limited	Hong Kong, limited liability company	–	100%	Provision of property management and other related services
China Asia Valley Property Management (Shenzhen) Co., Limited# 中亞峽谷物業管理(深圳)有限公司	The PRC, limited liability company	–	100%	Provision of property management and other related services
Shenzhen Zhongya Property Co., Limited# 深圳市中雅物業有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Shenzhen Zhongya Management Co., Limited# 深圳市中雅管理有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Shenzhen Shizhong Property Operation Co., Limited# 深圳市中雅產業運營有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Zhongyan Jianshe Construction (Shenzhen) Co., Limited# 中焱建設工程(深圳)有限公司	The PRC, limited liability company	–	100%	Provision of construction services

The Company name in English is not the official name but a translation for reference only.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2025.

Information of Group's Properties

Particulars of the Group's major properties held for investment as at 31 December 2024 are as follows:

Location	Existing Use	Gross floor area sq. m.	Percentage interest attributable to the Group
30 units of The ICON, 38 Conduit Road, Mid-levels, Hong Kong	Residence	1,953	100%

The above properties are held under a Government Lease for a term of 999 years commencing from 25 June 1861, i.e. long term lease-hold situated in Hong Kong. They are held as investment properties for rental income.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is shown as follows:

		Year ended 31 December			
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
RESULTS					
Revenue	134,680	38,267	39,875	37,810	17,216
Profit/(loss) before tax	2,785	2,417	(46,617)	273	(22,878)
Income tax expense	(220)	(235)	(390)	(603)	(70)
Profit/(loss) for the year	2,565	2,182	(47,007)	(330)	(22,948)
Profit/(loss) for the year attributable to owners of the Company	2,565	2,509	(47,007)	(330)	(22,961)
Non-controlling interests	–	(327)	–	–	13
	2,565	2,182	(47,007)	(330)	(22,948)
		As at 31 December			
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	1,005,764	349,981	347,255	394,432	407,750
Current assets	69,500	248,638	24,823	29,201	9,828
Current liabilities	(263,395)	(388,801)	(240,889)	(244,221)	(242,627)
Non-current liabilities	(321,105)	(76,774)	–	(184)	(1,055)
Net assets	490,764	133,044	131,189	179,228	173,896
Equity attributable to owners of the Company	490,764	133,152	131,189	179,228	173,883
Non-controlling interests	–	(108)	–	–	13
Total equity	490,764	133,044	131,189	179,228	173,896

Information of Group's Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2024 were as follows:

Name	Place of incorporation/establishment and operation and nature of legal entity	Percentage of ownership interest		Principal activities
		Indirect	Direct	
China Graphene Holdings Limited	British Virgin Islands, limited liability company	100%	–	Investment holding
Cheung Kee Garden Limited	Hong Kong, limited liability company	–	100%	Provision of horticultural services and sales of plants
China Graphene Hotel Limited	Hong Kong, limited liability company	–	100%	Provision of short term accommodation activities
China Graphene Limited	Hong Kong, limited liability company	–	100%	Investment holding
Raglan Investments Limited	British Virgin Islands, limited liability company	–	100%	Investment holding
Sui Chong Finance Limited	Hong Kong, limited liability company	–	100%	Investment holding
Sui Chong International Resources Limited	Hong Kong, limited liability company	–	100%	Real estate activities
Vision Securities Limited	Hong Kong, limited liability company	–	100%	Investment holding
Super Homes Limited	Hong Kong, limited liability company	–	100%	Investment properties holding
Century Elegant Limited	Hong Kong, limited liability company	–	100%	Provision of property management and other related services
Ashwell Enterprises Limited	British Virgin Islands, limited liability company	–	100%	Investment holding
Delight Colour Limited	British Virgin Islands, limited liability company	–	100%	Investment holding
Luxurious Time Properties Limited	British Virgin Islands, limited liability company	–	100%	Investment holding
Junchan International (HK) Group Limited	Hong Kong, limited liability company	–	100%	Investment holding
Shenzhen Zhongbang Smart Community Technology Co., Limited# 深圳市中邦智能社區科技有限公司	The PRC, limited liability company	–	100%	Investment holding

Information of Group's Subsidiaries

Name	Place of incorporation/establishment and operation and nature of legal entity	Percentage of ownership interest		Principal activities
		Indirect	Direct	
Zhongbang Rongtong Financial Leasing (Shenzhen) Co., Limited# 中邦榮通融資租賃(深圳)有限公司	The PRC, limited liability company	–	100%	Investment holding
China Asia Valley Property Management (Shenzhen) Co., Limited# 中亞峇谷物業管理(深圳)有限公司	The PRC, limited liability company	–	100%	Provision of property management and other related services
Shenzhen Zhongya Property Co., Limited# 深圳市中雅物業有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Shenzhen Zhongya Management Co., Limited# 深圳市中雅管理有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Shenzhen Shizhong Property Operation Co., Limited# 深圳市中雅產業運營有限公司	The PRC, limited liability company	–	100%	Leased properties under sub-lease arrangements and provision of property management and other related services
Zhongyan Jianshe Construction (Shenzhen) Co., Limited# 中焱建設工程(深圳)有限公司	The PRC, limited liability company	–	100%	Provision of construction services
Zhongya Zhigu (Zhong Shan) Investment Development Co., Limited# 中亞智谷(中山)投資發展有限公司	The PRC, limited liability company	–	100%	Investment development
Zhongya China Asia Valley Property Management (Quan Zhou) Co., Limited# 中雅峇谷物業管理(泉州)有限公司	The PRC, limited liability company	–	100%	Provision of property management and other related services

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