



AOM INTERNATIONAL GROUP COMPANY LIMITED **權識國際集團股份有限公司**

(formerly known as Kiu Hung International Holdings Limited *)

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

2024 ANNUAL REPORT

Leading the
Way Towards
**A BRIGHT
FUTURE**

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Corporate Information

EXECUTIVE DIRECTORS:

Mr. Yang Ling (*Chairman*)
Mr. Yang Bincheng
Mr. Li Lizhong (*Co-chairman*)
Mr. Liu Mingqing
Mr. Sun Weiwei

NON-EXECUTIVE DIRECTOR:

Mr. Tang Sing Hing, Kenny

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wang Xiao Ning
Ms. Chen Yuxin
Mr. Chak Ching Long

REGISTERED OFFICE

The Penthouse Level,
5 Reid Street,
Hamilton, HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat E, 20th Floor
Lucky Plaza
315–321 Lockhart Road
Wan Chai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Cohort Limited
The Penthouse Level,
5 Reid Street,
Hamilton, HM11,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

KTC Partners CPA Limited
Room 1305–07, 13/F
New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road Central
Hong Kong

OCBC Wing Hang Bank Limited
Head office
161 Queen's Road Central Hong Kong

COMPANY'S WEBSITE

www.kh381.com

Financial Highlights

FINANCIAL PERFORMANCE

For the year ended 31 December	2024 HK\$'000	2023 HK\$'000	Change Increase/ (Decrease)
Revenue	386,662	383,923	0.71%
Gross profit	141,666	165,807	(14.56%)
(Loss)/profit for the year	(72,825)	65,701	(210.84%)
(Loss)/profit attributable to shareholders	(84,626)	37,213	(327.41%)
Basic and diluted (loss)/earnings per share (in HK cents)	(24.83)	39.06	(163.57%)
Total assets	796,611	770,281	3.42%
Total equity	383,649	339,976	12.85%

Chairman's Statement

On behalf of the board (the “**Board**”) of the directors (the “**Director(s)**”) of AOM International Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the annual report of the Group for the financial year ended 31 December 2024 (the “**Year**”).

RESULTS AND DIVIDENDS

For the Year, the Group recorded turnover of approximately HK\$386.7 million (2023: HK\$383.9 million), representing an increase of approximately 0.71% as compared with last year.

The Group's loss attributable to equity holders of the Company for the Year was approximately HK\$84.6 million (2023: profit attributable HK\$37.2 million), representing a decrease of approximately HK\$121.8 million comparing to last year. The increase in loss attributed to equity holders of the Company for the Year was mainly attributed to (i) the loss on loan capitalisation of the financial liabilities of approximately HK\$17.2 million by the issue of new ordinary shares during the Year; and (ii) share of results of associates amounted to HK\$36.8 million, during the Year. Basic loss per share for the Year was HK cents 24.83 (2023: Basic earnings per share HK cents 39.06).

BUSINESS REVIEW

The gross profit ratio of the toys and gifts business was approximately 37.7% for the Year which was comparable to the previous year of 37.1%.

The gross profit ratio of the Chinese Herbs business was approximately 51.9% for the Year as compared with 56.3% for 2023.

The gross profit ratio of the wine business was approximately 5.3% for the Year.

For further details of the Group's business and operational review, please refer to the “Management Discussion and Analysis” section of this annual report.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by the entering of:

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, business partners and parties from various fields, and also for the contribution and dedication of our management and dedicated staff in previous year.

Yang Ling
Chairman

Hong Kong, 31 March 2025

Management Discussion and Analysis

BUSINESS OVERVIEW

In the year 2024, the global economy faced multifaceted pressures, including high inflation, escalating international trade tensions, and geopolitical turmoil, leading to a slowdown in growth. Despite these challenges, China's economy showcased strong resilience in the complex global market, driven by robust macroeconomic control and domestic demand stimulation. In view of this, the Group started wine trading business during the year 2024. This move is in line with the Group's diversified investment strategy to ensure the Company's long-term development.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2024 (the "Year"), the Group recorded turnover of approximately HK\$386.7 million (2023: HK\$383.9 million), representing a decrease of approximately 0.7% as compared with last year.

The Group's loss attributable to equity holders of the Company for the Year was approximately HK\$84.6 million (2023: profit attributable HK\$37.2 million), representing a decrease of approximately HK\$121.8 million comparing to last year. The decrease in profit attributable to equity holders of the Company for the Year was mainly attributable to (i) the loss on loan capitalisation of the financial liabilities approximately HK\$17.2 million by the issue of new ordinary shares during the Year; and (ii) share of results of associates amounted to HK\$36.8 million. Basic loss per share for the Year was HK cents 24.83 (2023: Basic earnings per share HK cents 39.06).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has seven reportable segments, namely "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure", "Culture", "Chinese herbs" and "Wines".

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Year was approximately HK\$239.7 million (2023: HK\$262.4 million), representing a decrease of approximately 8.7% comparing to last year. The decrease in turnover was mainly attributable to the decrease in revenue generated from the North America. The gross profit margin was increased, which was 37.7% (2023: 37.1%) during the Year, showing the production and logistic cost was decreased with a diversified category of products launched to the market.

Management Discussion and Analysis

Exploration of Natural Resources

The Group owns the minor interest of exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the “**Inner Mongolia**”), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code.

The retained equity interest was regarded as financial assets at FVTOCI since the Group has no significant influence to participate in the financial and operating policy decisions of the Investment Group.

In the opinion of the directors of the Company as at 31 December 2024, the Investment Group is still unable to generate cash flows to the Group due to the absence of the mining rights of coal mines concerned. Fair value of approximately HK\$3,435,000 was recognised for the year ended 31 December 2020 to fully write down the carry amount of the investment and no reversal of impairment for the years ended 31 December 2024 and 2023.

Fruit Plantation

(a) *Multijoy Group*

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the “**Multijoy Group**”) is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the “**Forest Land**”). The cooperation agreement with an independent third party has expired during the Year. The Multijoy Group is changing the use of land and developing a diversified ecological sightseeing farm business on the Forest Land.

The Group’s share of result of loss amounted to approximately HK\$24.8 million for the Year (2023: profit of HK\$2.0 million).

(b) *USO Management & Holding Co. Ltd (“USO”)*

USO entered into a development cooperation agreement with Plantation Construction & Development Co Ltd. (the “**Development Company**”), pursuant to which USO and the Development Company will jointly develop the leased properties. The management expected that the leased properties will be mainly developed for commercial purposes such as residential properties and hotels, residential villas, high-end hotel and casino, and ancillary public amenities. Under the impact of weak global economic environment, the commencement date of construction of the luxury hotel and casino, as well as the first 100 residential villas is delayed, and expected to be taken place in October 2025. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

The Group’s share of result of loss amounted to approximately HK\$9.1 million for the Year (2023: loss of HK\$1.1 million).

Leisure

(a) *Tea related business*

In the recent years, the competition in tea industries becomes more fierce as the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo has continued to fine-tune its operation model to meet its customers’ needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets.

The Group’s share of result of loss amounted to approximately HK\$20,000 (2023: loss of HK\$47,000) for the year.

Management Discussion and Analysis

(b) Wine related business

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine.

As stated in the Company's announcement dated 18 March 2020, the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018. However, due to the lack of cooperation from the administrator of the deceased vendor of Anhui Fu Lao (the "**Administrator**"), the transfer procedures of 20% equity to the Group remains incomplete. Based on the legal opinion, the directors of the Company believe that the Group could obtain a court order to enforce the transfer of 20% equity from the Administrator to the Group. Details of the updated case, please refer to the Company's announcement dated 14 March 2023.

Based on the legal opinion from the PRC lawyers, the Group have two years right to enforce the judgment on the Administrators. As at the date of issuance of the consolidated financial statements, the transfer of ownership is yet to be completed and the directors are of the opinion it is in the interest of Anhui Fu Lao's to allow the business to continue to operate normally. Based on the legal opinion, completed within 6 months of application expected before end of August 2025.

The Group's share of result of loss amounted to HK\$2.9 million for the Year (2023: loss of HK\$22.8 million).

(c) Outbound tourism

No turnover from outbound tourism business for the Year and 2023.

Culture

No turnover from culture business for the Year and 2023.

Chinese Herbs

Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), 51% equity interest of which was acquired by the Group in 2021, is principally engaged in the business of Chinese herbs and the decoction business in Mainland China. Turnover from the Chinese herbs related business for the Year was approximately HK\$95.3 million (2023: HK\$121.5 million).

The Company has invested in multiple Traditional Chinese herbs medicine ("**TCM**") herbs plantation bases in 2024. The management is of the view that by having its own TCM herbs plantation bases, the Company can exercise greater control over the plantation process and quality assurance. This allows for the implementation of specific cultivation techniques, adherence to quality standards, and the ability to customize farming practices to meet the Company's requirements. Furthermore, by upgrading the production base, the Company can streamline operations, increase productivity, and meet the growing demand for high-quality Chinese herbs.

The management believes that establishing its own TCM herbs plantation bases and enhancing the existing TCM production bases are critical strategic moves for the Chinese Herbs Business. These measures will not only ensure a stable and high-quality supply of Chinese herbs but also contribute to the sustainable growth of the business in alignment with the government's policies to optimise the TCM industry.

Management Discussion and Analysis

Wines

On 31 May 2024, Kiu Hung (Fujian) Investment Limited, a wholly owned indirect subsidiary of the Group entered into a sales and purchase agreement with Jiang Ping, independent third party for the acquisition 60% of the equity interest in Fujian Laojiu Investment Co., Ltd ("**Fujian Laojiu**"). Fujian Laojiu is principally engaged in the wine trading business in Mainland China. Turnover from the Wines business for the Year was approximately HK\$51.6 million (2023: Nil).

Geographical Information

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK\$239 million as compared to approximately HK\$262 million last year and represented approximately 61.8% (2023: approximately 68.2%) of the Group's total revenue. Revenue in the PRC (including Hong Kong) amounted to approximately HK\$147.7 million for the Year as compared to approximately HK\$122.1 million last year and represented approximately 38.2% (2023: approximately 31.8%) of the Group's total revenue of the Year.

Selling and Distribution Costs

The amount of the selling and distribution costs for the Year was approximately HK\$36.2 million (2023: approximately HK\$37.3 million). The decrease was mainly attributable by the decrease in advertising and promotional costs of the toys segment during the Year.

Administrative Expenses

Administrative expenses for the Year decreased by approximately 3.9% to approximately HK\$83 million as compared to approximately HK\$86.4 million in the previous year. The decrease in administrative expenses was mainly attributable the decrease in entertainment and consultancy fee during the Year.

Finance Costs

Finance costs for the Year increased by approximately 6.8% to approximately HK\$28.9 million as compared to approximately HK\$27.1 million in the previous year. The increase in finance costs was mainly attributable by the increase in convertible bond interest during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in PRC. As at 31 December 2024, the Group had bank balances and cash of approximately HK\$135.9 million (2023: HK\$111.9 million). The Group's bank balances and cash were mostly denominated in Hong Kong dollars, United States Dollars and Renminbi.

As at 31 December 2024, the Group's borrowings amounted to approximately HK\$139.4 million (2023: HK\$141.8 million). The Group's borrowings were mainly denominated in Hong Kong dollars, United States Dollars and Renminbi.

The Group monitors its capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, lease liabilities, borrowings, amount due to an associate and convertible bonds less bank balances and cash) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2024 was 68% (2023: 89.1%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant, and the Group had not used any financial instruments for hedging during the Year.

Management Discussion and Analysis

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Acquisition of a subsidiary

On 31 May 2024, Kiu Hung (Fujian) Investment Limited, a wholly owned indirect subsidiary of the Group entered into a sales and purchase agreement with Jiang Ping, independent third party for the acquisition 60% of the equity interest in Fujian Laojiu for a consideration of RMB1 (equivalent to approximately HK\$1) as supplemented by the subsequent capital injection of RMB1,000,000 (equivalent to approximately HK\$1,077,000) on 1 June 2024. Fujian Laojiu is principally engaged in the trading of wines in the PRC. The acquisition has been accounted for as acquisition of business using the acquisition method. The acquisition was completed on 5 June 2024.

DEPOSIT PAID FOR ACQUISITION OF PROPERTY

On 24 October 2024, Kiu Hung (Fujian) Investment Co., Ltd, a wholly-owned subsidiary of the Group in the PRC entered into a sales and purchase agreement with, an independent third party not connected with the Group for the purchase of 2,580.39 squares metres of office space in Beijing, the PRC for a consideration of RMB51,608,000 (equivalent to approximately HK\$56,283,000) as its new headquarters in the PRC for the wine segment. The original real estate ownership certificates (房產證) have been held by an independent lawyer 福建乾順律師事務所 as security until the completion of the sale. A refundable deposit of RMB45,000,000 (equivalent to approximately HK\$49,010,000) was paid to the seller on 25 October 2024 and included as a deposit at 31 December 2024 (2023: Nil). The acquisition is expected to be completed within the next 12 months. An impairment loss of HK\$587,000 was recognised for the year ended 31 December 2024 (2023: nil). At the date of issuance of the consolidated financial statements, the acquisition is not yet completed.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2024 and 2023.

CAPITAL COMMITMENT

As at 31 December 2024 and 2023, the Group had no significant capital commitment.

DIVIDEND

The Directors do not recommend any payment of final dividend for the years ended 31 December 2024 and 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the years ended 31 December 2024 and 2023.

PROSPECTS

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole.

Management Discussion and Analysis

CAPITAL STRUCTURE

On 17 May 2024, 19,350,000 Subscription Shares were allotted and issued to the Subscriber at the Subscription Price of HK\$0.13 per Subscription Share pursuant to the terms of the Subscription Agreement.

On 30 September 2024, 470,000,000 Placing Shares had been placed by the Placing Agent to not less than six Placees at Placing Price of HK\$0.111 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

On 10 October 2024, 53,220,754 Subscription Shares were allotted and issued to the Subscriber at the Subscription Price of HK\$0.150 per Subscription Share pursuant to the terms and conditions of the Subscription Agreement.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2024, the Group had a total of 365 employees (2023: 387 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

Profile of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yang Ling ("Mr. Yang"), aged 39, had been appointed by the Company to serve as an executive director of the Company on 5 April 2024. Mr. Yang was also appointed chairman of the Company since 4 October 2024. Since 2021, he has served as vice president of Fujian Laojiu Sales Company* (福建老酒銷售公司) and Fujian Laojiu Investment Group* (福建老酒投資集團), responsible for company management, business development and strategic planning.

Mr. Li Lizhong ("Mr. Li"), aged 48, had been appointed as an executive director of the Company since 4 October 2024. He is also the chairman of Lizhan Group (立旂集團), fellow of the Canadian Academy of Social Sciences, fellow of the World Academy of Productivity Sciences, adjunct professor of Krirk University of Thailand, chief scientist for digital currency and blockchain technology of National Financial Security and System Equipment Engineering Research Center, chief scientist for blockchain of an online class project — Southern Digital (南方有數), rotating chairman of China Mobile Communications Federation Blockchain and Data Elements Professional Committee, president of the branch association for the promotion of blockchain industry of China Private Technology Industrialists Association, president of the new quality productivity branch of China International Association for Promotion of Science and Technology, vice president of the business innovation branch of China Society of Business Economics, executive vice president of Shenzhen Blockchain Association (深圳區塊鏈協會), elder of the elder house of Ali Chucheng Club (阿里初橙會), executive member of the blockchain professional committee of China Computer Federation, executive member of the 60-Person Forum on Integrated Application of Blockchain and Industrial Internet (區塊鏈與產業互聯網融合應用60人論壇), founder of Ali Blockchain Alliance (阿里人區塊鏈聯盟), member of the executive committee of the World Finance Forum, senior expert of the Metaverse Working Committee of China Association, and other positions. He is the inventor of over 100 patents, including more than 70 blockchain invention patents, and ranked 24th in the Top 100 Global Blockchain Patent Innovation Talents 2017 (2017年全球區塊鏈專利創新人才百人榜). He was the CEO assistant of Alibaba Ant Financial Group (阿里巴巴螞蟻金服集團) and the CEO of Ning Sheng Financial Control Group (甯聖金控集團).

Mr. Liu Mingqing ("Mr. Liu"), aged 46, had been appointed as an executive director of the Company on 27 March 2020. Mr. Liu has over 15 years of experience in financial and investment related business and considerable experience in securities and futures, corporate finance, derivative products and other various financial services. Mr. Liu is currently involved in Private Equity investment and enterprise management.

Mr. Sun Weiwei ("Mr. Sun"), aged 41, had been appointed as an executive director of the Company since 5 September 2023. He had been the manager and marketing director of a company in the retail industry in the PRC since 2010.

Mr. Yang Bincheng ("Mr. Yang"), aged 40, had been appointed as an executive director of the Company since 9 September 2024. He has 15 years of extensive experience in the food and beverage sales sector. With a deep understanding of food culture and an accurate insight into market trends, he successfully stood out in the highly competitive market.

Non-executive Director

Mr. Tang Sing Hing Kenny ("Mr. Tang"), aged 56, had been appointed as a non-executive director of the Company since 12 December 2024. Currently, Mr. Tang serves as the Managing Director at Crosby Securities Limited, and holds various leadership roles, including Non-Executive Director at Legendary Education Group Limited (a company listed on the GEM of the Stock Exchange of Hong Kong), independent non-executive director of Hin Sang Group (International) Holding Co. Ltd. (a company listed on the Main Board of the Stock Exchange of Hong Kong) and Managing Partner at VS Culture Limited. Mr. Tang's career has been marked by a commitment to operational excellence, strategic planning, and compliance within the financial sector.

Profile of Directors and Senior Management

Independent Non-executive Directors

Mr. Chak Ching Long ("Mr. Chak"), aged 39, had been appointed as an independent non-executive Director on 4 October 2024. He has over 10 years of experience in finance, investor relations and auditing. Mr. Chak has many years of experience in corporate consulting, restructuring and bankruptcy, mergers and acquisitions, due diligence, valuation, investigation and fund tracing services involving businesses in Hong Kong, China and foreign countries. Mr. Chak has served as a member of management in different accounting firms and multinational corporations, responsible for acquisitions and initial public offerings.

Mr. Wang Xiao Ning ("Mr. Wang"), aged 65, had been appointed as an independent non-executive director of the Company since June 2015. Mr. Wang joined the field of import and export trading in 1990. He is currently the general manager of 福建省鄉鎮企業進出口公司 (Fujian Township Enterprises Import and Export Corporation*). Mr. Wang has over 25 years of experience in the import and export trading management.

Ms. Chen Yuxin ("Ms. Chen"), aged 27, had been appointed as an independent non-executive Director on 13 May 2020. Over the years, she has actively expanded the overseas business operation, and currently serves as the investment director of China Commerce Huaxia Products Co., Ltd..

SENIOR MANAGEMENT

Mr. Hui Ki Yau ("Mr. Hui"), aged 64, is the president of the Group's toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a Standing Committee Member of the Chinese People's Political Consultative Conference of Putian City, Fujian Province, the PRC, an Executive Member of Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa, aged 57, is the Director of operations and sales of the Group's toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui Ki Yau.

Report of The Directors

The directors of the Company herein present their report and the audited consolidated financial statements of the Company 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 47 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2024 is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2024 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 32 to 135 of this annual report. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out in note 17 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2024 are set out in note 32 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 35 and 40 respectively to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had no distributable reserves (2023: Nil). Under the Company's Bye-Laws (Bermuda) and the Companies Act 1981 of Bermuda, the contributed surplus and share premium of the Company of approximately HK\$125.2 million (2023: HK\$125.2 million) and approximately HK\$1,856.9 million (2023: HK\$1,782.8 million), respectively, at 31 December 2024 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws (Bermuda) or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made no charitable contributions (2023: approximately HK\$450,000).

Report of The Directors

RETIREMENT BENEFITS SCHEMES

The Group operates a Pension Scheme and a MPF Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss of approximately HK\$3,064,000 (2023: approximately HK\$2,765,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2023: Nil) was available at 31 December 2024 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2024 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 64.42% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 31.87%. Purchases from the Group's five largest suppliers accounted for approximately 57.66% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 21.74%.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Yang Ling (*Chairman*) (*appointed on 5 April 2024*)

Mr. Zhang Qijun (*resigned on 4 October 2024*)

Mr. Li Lizhong (*the co-chairman*)
(*appointed on 4 October 2024*)

Mr. Liu Mingqing

Mr. Sun Weiwei

Mr. Yang Bincheng (*appointed on 9 September 2024*)

Non-executive Director:

Tang Sing Hing Kenny (*appointed on 12 December 2024*)

Independent non-executive Directors:

Mr. Chak Ching Long (*appointed on 4 October 2024*)

Mr. Wang Xiao Ning

Ms. Chen Yuxin

Ms. Wei Yu (*resigned on 4 October 2024*)

The directors of the Company, including the non-executive directors and the independent non-executive directors are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-Laws (Bermuda).

According to articles 97 of the Company's Bye-Laws (Bermuda) (the "**Bye-Laws**"), at each annual general meeting of the Company (the "**AGM**"), one-third of the directors of the Company for the time being (or, if such number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director of the Company shall be subject to retirement by rotation at least once every three years. A retiring director of the Company shall be eligible for re-election. In accordance with Articles 97 of the Bye-Laws, Mr. Li Lizhong, Mr. Yang Bincheng, Mr. Tang Sing Hing, Kenny and Mr. Chak Ching Long shall retire from office by rotation at the forthcoming AGM. Being eligible, Mr. Li Lizhong, Mr. Yang Bincheng, Mr. Tang Sing Hing, Kenny and Mr. Chak Ching Long will offer themselves for re-election as the executive director, non-executive director and the independent non-executive director respectively.

Report of The Directors

In accordance with Article 100(B) of the Bye Laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at that meeting.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 11 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yang Ling entered his service contract with the Company to serve as an executive director of the Company for a term of one year from 5 April 2024 to 4 April 2025, which may be terminated by either party thereto by giving to the other one month's prior notice in writing.

Mr. Li Lizhong entered his service contract with the Company to serve as an executive director of the Company for a term of one year from 4 October 2024 to 3 October 2025, which may be terminated by either party thereto by giving to the other one month's prior notice in writing.

Mr. Liu Mingqing entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 27 March 2024 to 26 March 2026, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Sun Weiwei had been appointed by the Company to serve as an executive director of the Company for a term of one year from 5 September 2023 to 4 September 2024, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Yang Bincheng entered his service contract with the Company to serve as an executive director of the Company for a term of one year from 9 September 2024 to 8 September 2025, which may be terminated by either party thereto by giving to the other one month's prior notice in writing.

Apart from the foregoing, 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 other than statutory compensation.

TERMS OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a fixed term of one or two years as follows:

Name of directors	Term period
Mr. Chak Ching Long	4 October 2024 to 3 October 2025
Mr. Wang Xiao Ning	1 June 2023 to 31 May 2025
Ms. Chen Yuxin	13 May 2024 to 12 May 2026

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in note 44 to the consolidated financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

Report of The Directors

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2024, the interests and short positions of the directors and chief executive of the Company 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”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of director	Number or attributable number of shares held or short positions	Capacity			Approximate percentage or attributable percentage of shareholdings
		Interest of controlled corporation	Interest of child under 18 or spouse	Beneficial owner	
Mr. Li Lizhong	56,000,000	–	–	56,000,000	7.09%

Save as disclosed above and under the heading “Substantial Shareholders” below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Report of The Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme which became effective on 31 May 2013 and being refreshed on 15 May 2019, had been expired on 31 May 2023.

The following table discloses movements in the outstanding share options granted under the Share Option Schemes during the year:

Grantee	Date of grant	Number of share options			Exercise price HK\$ Exercise Period	
		Outstanding at 1 January 2024	Cancelled during the year	Outstanding at 31 December 2024		

N/A

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2024, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Report of The Directors

Long position in the shares of the Company

Name of shareholder	Number of shares or underlying approximate shareholding	Capacity		
		Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation
OU ZHU	53,220,754	–	53,220,754	6.74%

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the directors, there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 21 to 26 of this annual report.

INDEPENDENT CONFIRMATION

The Company has received, from each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

Report of The Directors

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group respects the environment and is committed to minimising its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO₂) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- duplex printing is set as the default mode for most network printers;
- employees are reminded to practice photocopying wisely;
- employees are encouraged to use both sides of paper;
- paper waste is recycled instead of being directly disposed of in landfills;
- paper is separated from other waste for easier recycling; and
- boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

The Group will review its environmental practices periodically and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

Relationship with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs effectively and efficiently. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and conduct regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

During the year ended 31 December 2024, there was no circumstances of any event between the Group and its employees, customers and suppliers which would have a significant impact on the Group's business and on which the Group's success depends.

Report of The Directors

PERMITTED INDEMNITY

The Company's Bye-Laws provides that every Director 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, by reason of any act done in or about the execution of his duty, or supposed duty; and none of them shall be answerable for the acts, receipts, neglects or for any other loss, misfortune or damage which may happen in the execution of his duty, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Dividend policy

The Company has adopted an updated dividend policy paying on a half-yearly basis ("**Dividend Policy**"), pursuant to which the Company endeavors to maintain stable dividend return with progressive increment and special dividend, so as to offer the utmost in rewarding the shareholders of the Company.

In deciding whether to propose or declare a dividend and in determining the dividend amount, the Board shall take into account projected cash-flow and retained profit requirement for future development of the Company, inter alia:

- financial performance and operating results;
- effective allocation of distributable retained earnings and reserves;
- maintaining regularity in pay-out frequency, amount and/or ratio; and
- other factors it may deem relevant at such time.

The dividend to be proposed or declared shall be determined at the sole discretion of the Board and is subject to the restrictions under the Bye-Laws of the Company and all applicable laws and regulations.

The Company will review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy. The Dividend Policy shall not constitute a legally binding commitment by the Company and there is no assurance that dividends will be paid in any particular amount in any given period.

EVENTS AFTER THE REPORTING PERIOD

No events after the reporting period.

LITIGATIONS

Details of the litigations are set out in note 46 to the consolidated financial statements.

AUDITOR

KTC Partners CPA Limited was appointed as auditor of the Company at the AGM held on 25 June 2024. And a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming AGM. There have been no changes of auditor in the past three years.

On behalf of the Board

Yang Ling

Chairman

Hong Kong, 31 March 2025

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 “Corporate Governance Code and Corporate Governance Report” to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Ms. Wei Yu, Ms. Chen Yuxin and Mr. Wang Xiao Ning, had other important engagements at the same time and did not attend the annual general meeting of the Company held on 25 June 2024.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

As at 31 December 2024, the Board currently comprises five executive directors, one non-executive director and three independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company’s Bye-Laws, every director is subject to retirement by rotation at least once every three years and their re-election are subject to a vote by the shareholders. All independent non-executive directors are appointed for a specific terms of one or two years.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group’s strategic objectives. Day-to-day management of the Group’s business is delegated to the executive directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group’s overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group’s senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group’s expense upon their request.

As at the date of this report, the Company appointed three independent non-executive directors, namely, Mr. Chak Ching Long, Mr. Wang Xiao Ning and Ms. Chen Yuxin who have appropriate and sufficient experiences and qualifications to carry out their duties so as to protect the interests of shareholders.

The Company hereby confirms that it had arranged for appropriate insurance cover in respect of legal actions against directors before the year 2019. However, since year 2019, 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.

Corporate Governance Report

Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Seven Board meetings were held in 2024. Individual attendance of each director at the Board meetings, the Audit Committee meetings, the Nomination Committee meeting, the Remuneration Committee meetings and the general meetings of the Company during 2024 is set out below:

Director	Board	Attendance/number of meetings			General meeting
		Audit committee	Nomination committee	Remuneration committee	
Executive Directors:					
Mr. Yang Ling (Chairman) (appointed on 5 April 2024)	6/7	N/A	1/4	N/A	N/A
Mr. Zhang Qijun (resigned on 4 October 2024)	4/7	N/A	3/4	N/A	N/A
Mr. Li Lizhong (the co-chairman) (appointed on 4 October 2024)	N/A	N/A	N/A	N/A	N/A
Mr. Liu Mingqing	7/7	N/A	N/A	N/A	2/2
Mr. Sun Weiwei	N/A	N/A	N/A	N/A	N/A
Mr. Yang Bincheng (appointed on 9 September 2024)	3/7	N/A	N/A	N/A	N/A
Non-executive Director:					
Tang Sing Hing Kenny (appointed on 12 December 2024)	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors:					
Mr. Chak Ching Long (appointed on 4 October 2024)	N/A	N/A	N/A	N/A	N/A
Mr. Wang Xiao Ning	N/A	2/2	4/4	N/A	N/A
Ms. Chen Yuxin	N/A	N/A	N/A	N/A	N/A
Ms. Wei Yu (resigned on 4 October 2024)	N/A	2/2	N/A	N/A	N/A

To implement the strategies and plans adopted by the Board effectively, directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 11 to 12 of this annual report.

CHAIRMAN

The Group has appointed Mr. Yang Ling as the Chairman. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the Company's website.

Corporate Governance Report

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of directors and senior management. The remuneration of each director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive director has taken part in any discussion about his own remuneration. No meeting was held by the Remuneration Committee in 2023. Two out of three of the committee members is independent non-executive director of the Company. Its members as at 31 December 2024 include:

Mr. Chak Ching Long — *Chairman*
Mr. Liu Mingqing
Mr. Wang Xiao Ning

Directors' remunerations for the year are disclosed in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the Company's website.

The Board adopted a Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. Four meetings were held by the Nomination Committee in 2024. One out of two of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2024 include:

Mr. Yang Ling — *Chairman*
Mr. Wang Xiao Ning

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the Company's website. Two meetings were held by the Audit Committee in 2024. All committee members are independent non-executive directors. Its members as at 31 December 2024 include:

Mr. Chak Ching Long — *Chairman*
Mr. Wang Xiao Ning
Ms. Chen Yuxin

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual financial statements and reviewed the Group's risk management and internal control systems.

AUDITOR'S REMUNERATION

During the year, the Group has incurred auditor's remuneration of approximately HK\$2,194,000 which was paid/payable to the Company's existing auditor, KTC Partners CPA Limited.

Corporate Governance Report

COMPANY SECRETARY

Mr. Tam Tsz Ming, aged 52, was appointed as the company secretary of the Company on 14 June 2018. Mr. Tam holds a Bachelor Degree of Business Administration in Accounting from Hong Kong Metropolitan University (previously known as the Open University of Hong Kong). He also holds the Diploma in Legal Studies from HKU SPACE. Mr. Tam is a member of Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. Mr. Tam has accumulated extensive working experience in the fields of auditing, accounting and financial management.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) because of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURE BY WHICH ENQUIRIES PUT TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email to info@kh381.com.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.kh381.com on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.
- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.
- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.
- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.
- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.
- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website.

Corporate Governance Report

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to info@kh381.com for any enquiries. The shareholders' communication policy is available on the Company's website www.aom381.com under the "Investor Relations/Corporate Governance" section.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing the Group's and the Company's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 27 to 31 of this annual report.

Going concern

For the year ended 31 December 2024, the Group incurred a loss of approximately HK\$72,825,000 and as at that date, the Group had net current liabilities of approximately HK\$26,428,000 and secured other borrowings of HK\$67,572,000 together with accrued interest of HK\$30,650,000 has been defaulted. As at the date of issuance of the consolidated financial statements, no assets of the Group have been seized/frozen or restricted. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the Directors are implementing various plans and measures, as follows:

- (1) subsequent to 31 December 2024, the Group is negotiating with the lender of the defaulted loans for settlement/extension; and
- (2) the Group is considering to raise new capital by carrying out fund raising activities including but not limited to right issue, open offer, placing of new shares and issuance of convertible bonds.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the abovementioned plans and measures to be undertaken by the Group. The Directors are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2024. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

Corporate Governance Report

During the year under review, the Board has engaged **MOSS Valuation & Advisory Limited** as independent consultant to undertake a review of the internal control system of the Group on material issues covering financial, operational and regulatory compliance controls and risk management function.

The Directors considered that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

The Company does not have an internal audit function for the year ended 31 December 2024. Taking into account the size and complexity of the operations of the Group and the potential costs of setting up an internal audit function, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. However, the Board will regularly review the need to set up an internal audit function or engage an independent professional service provider to review the Group's internal control and risk management system.

The Group adopts a risk management framework which comprises the following processes:

- Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

- The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;
- Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;
- A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and
- Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 December 2024 and considered that it was effective.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

Independent Auditor's Report



TO THE SHAREHOLDERS OF
AOM International Group Company Limited
(Formerly known as Kiu Hung International Holdings Limited)

權識國際集團股份有限公司

(前稱為僑雄國際控股有限公司)

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of AOM International Group Company Limited (formerly known as Kiu Hung International Holdings Limited) (the **"Company"**) and its subsidiaries (collectively referred to as the **"Group"**) set out on pages 32 to 135, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR 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'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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$72,825,000 for the year ended 31 December 2024 and as of that date, the Group was in net current liability position of approximately HK\$26,428,000 and secured other borrowings of HK\$67,572,000 together with accrued interest of HK\$30,650,000 has been defaulted. As at the date of issuance of the consolidated financial statements, no assets of the Group have been seized/frozen or restricted. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Provision for expected credit losses ("ECL") of trade receivables

Refer to notes 26 and 38(b) to the consolidated financial statements.

As at 31 December 2024, the Group had gross trade receivables of approximately HK\$70,173,000 and accumulated provision for impairment of approximately HK\$18,846,000.

ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables as a key audit matter because assessing ECL of trade receivables is a subjective area which requires the exercise of significant judgment by management and uses of estimates.

Our procedures in relation to management's ECL assessment on trade receivables included:

- Obtained an understanding of the key controls over management's assessment of the impairment of trade receivables;
- Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;
- Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2024 to the underlying financial records.

Independent Auditor's Report

2. Impairment assessment of investments in associates

Refer to note 20 to the consolidated financial statements.

Included in investments in associates in the consolidated statement of financial position as at 31 December 2024 are investments in Multijoy Development Limited ("**Multijoy**"), Anhui Fu Lao Wine Development Company Limited ("**Anhui Fu Lao**") and USO Management & Holding Co. Ltd. ("**USO**") with carrying amounts of approximately HK\$108,135,000, HK\$87,197,000 and HK\$7,221,000 respectively. For the year ended 31 December 2024, no impairment loss was recognised for Multijoy, Anhui Fu Lao and USO.

The Group tested the carrying amounts of the investments in Multijoy, Anhui Fu Lao and USO for impairment as the associates was loss making for the year ended 31 December 2024. We identified investments in associates as a key audit matter due to the balances of investments in these associates as at 31 December 2024 are material to the consolidated financial statements and the Group's impairment test involves the application of significant judgement and is based on assumptions and estimates made by management and independent professional valuers (the "**Valuer**").

Our audit procedures included, among others:

- Assessing the competence, independence and objectivity of the external valuers engaged by the Group;
- Challenging the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Assessing the arithmetical accuracy of fair value less costs of disposal calculations; and
- Checking input data to supporting evidence.

OTHER INFORMATION

The directors of the Company ("**Directors**") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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 performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the Directors 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 audit committee is responsible 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 solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

Independent Auditor's Report

- 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 group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KTC Partners CPA Limited

Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph

Audit Engagement Director

Practising Certificate Number P04686

Hong Kong, 31 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	386,662	383,923
Cost of sales		(244,996)	(218,116)
Gross profit		141,666	165,807
Other income	7	2,626	8,458
Other gains, net	7	889	8,975
Selling and distribution costs		(36,171)	(37,346)
Administrative expenses		(82,964)	(86,381)
Finance costs	8	(28,919)	(27,068)
Impairment loss under expected credit loss model, net	9	(8,979)	(27,454)
Impairment of investments in associates		–	(34,314)
(Loss)/gain on extinguishment of financial liabilities by issue of ordinary shares	35(g)/(d)	(17,186)	28,355
Cancellation of promissory notes	34	–	92,000
Share of results of associates		(36,806)	(21,958)
(Loss)/profit before income tax		(65,844)	69,074
Income tax expense	10	(6,981)	(3,373)
(Loss)/profit for the year	11	(72,825)	65,701
(Loss)/profit attributable to:			
— owners of the Company		(84,626)	37,213
— non-controlling interests		11,801	28,488
		(72,825)	65,701
(Loss)/earnings per share attributable to the owners of the Company		HK cents	HK cents
Basic and diluted (loss)/earnings per share	14	(24.83)	39.06

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
(Loss)/profit for the year	(72,825)	65,701
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
(Deficit)/surplus on revaluation of properties	(2,985)	8,258
Deferred tax effect on revaluation of properties	547	(1,363)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	(16,921)	(13,070)
Share of exchange translation difference of associates	(5,270)	(7,095)
Other comprehensive loss for the year, net of tax	(24,629)	(13,270)
Total comprehensive (loss)/income for the year	(97,454)	52,431
Total comprehensive (loss)/income attributable to:		
— owners of the Company	(106,094)	25,729
— non-controlling interests	8,640	26,702
	(97,454)	52,431

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	15	99,722	107,820
Right-of-use assets	16	29,275	29,256
Investment properties	17	11,251	12,450
Goodwill	18	50,199	50,940
Other intangible assets	19	5,897	5,795
Investments in associates	20	204,894	246,969
Deposit paid for acquisition of property	22	48,423	–
Deferred income tax assets	23	70	1,589
Prepayment	27	13,900	–
		463,631	454,819
Current assets			
Inventories	24	97,643	87,910
Biological assets	25	7,615	5,051
Trade and bills receivables	26	57,429	57,229
Prepayments, deposits and other receivables	27	33,206	53,369
Tax recoverable		1,186	36
Bank balances and cash	28	135,901	111,867
		332,980	315,462
Current liabilities			
Trade payables	29	27,362	22,115
Accruals and other payables	30	125,693	117,517
Income tax payable		3,183	2,577
Lease liabilities	31	2,064	723
Borrowings	32	139,386	134,245
Amount due to an associate		167	172
Convertible bonds	33	61,553	–
		359,408	277,349
Net current (liabilities)/assets		(26,428)	38,113
Total assets less current liabilities		437,203	492,932

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Lease liabilities	31	4,168	1,846
Borrowings	32	–	7,572
Deferred income tax liabilities	23	12,964	12,927
Convertible bonds	33	36,422	130,611
		53,554	152,956
Net assets		383,649	339,976
Equity			
Share capital	35	78,924	9,667
Reserves		170,233	204,541
Equity attributable to owners of the Company		249,157	214,208
Non-controlling interests		134,492	125,768
Total equity		383,649	339,976

The consolidated financial statements on pages 32 to 135 were approved and authorised for issue by the board of directors on 31 March 2025 and are signed on its behalf by:

Zhang Qijun
Director

Liu Mingqing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

Attributable to owners of the Company													
		Share capital	Share premium	Statutory surplus	Contributed surplus	Foreign currency translation reserve	Property revaluation reserve	Fair value reserve for financial assets at FVTOCI	Convertible Bond reserve	Accumulated losses		Non-controlling interests	Total equity
	Notes	HK\$'000	Note (a) HK\$'000	Note (b) HK\$'000	Note (c) HK\$'000	Note (d) HK\$'000	Note (e) HK\$'000	HK\$'000	Note (f) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 1 January 2023		9,206	1,782,784	13,271	303	27,209	80,363	55,383	–	(1,782,785)	185,734	99,274	285,008
Profit for the year		–	–	–	–	–	–	–	–	37,213	37,213	28,488	65,701
Other comprehensive (loss)/income for the year		–	–	–	–	(18,379)	6,895	–	–	–	(11,484)	(1,786)	(13,270)
Total comprehensive (loss)/income		–	–	–	–	(18,379)	6,895	–	–	37,213	25,729	26,702	52,431
Disposal of a subsidiary		–	–	–	–	(72)	–	–	–	72	–	(208)	(208)
Transfer to statutory surplus		–	–	5,019	–	–	–	–	–	(5,019)	–	–	–
Loan capitalisation	35(d)	461	2,284	–	–	–	–	–	–	–	2,745	–	2,745
At 31 December 2023 and 1 January 2024		9,667	1,785,068	18,290	303	8,758	87,258	55,383	–	(1,750,519)	214,208	125,768	339,976
Loss for the year		–	–	–	–	–	–	–	–	(84,626)	(84,626)	11,801	(72,825)
Other comprehensive (loss)/income for the year		–	–	–	–	(19,030)	(2,438)	–	–	–	(21,468)	(3,161)	(24,629)
Total comprehensive (loss)/income		–	–	–	–	(19,030)	(2,438)	–	–	(84,626)	(106,094)	8,640	(97,454)
Issue of convertible bonds	33	–	–	–	–	–	–	–	15,600	–	15,600	–	15,600
Transfer to statutory surplus		–	–	9	–	–	–	–	–	(9)	–	–	–
Conversion of convertible bonds	33	15,000	30,000	–	–	–	–	–	(15,600)	–	29,400	–	29,400
Placement of shares	35(f)	47,000	4,687	–	–	–	–	–	–	–	51,687	–	51,687
Loan capitalisation	35(g)	7,257	37,099	–	–	–	–	–	–	–	44,356	–	44,356
Acquisition of a subsidiary	36	–	–	–	–	–	–	–	–	–	–	84	84
At 31 December 2024		78,924	1,856,859	18,299	303	(10,272)	84,820	55,383	–	(1,835,154)	249,157	134,492	383,649

Notes:

- Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations and the articles of association of these PRC subsidiaries, the statutory reserve may be used to offset the accumulated losses, or for capitalisation as paid-up capital of the subsidiaries.
- The contributed surplus of the Group represents the excess of the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of Company's shares issued in exchange thereof.
- 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 3.3 to the consolidated financial statements.
- The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 3.3 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(65,844)	69,074
Adjustments for:			
Amortisation of other intangible assets	19	2,874	2,790
Depreciation of property, plant and equipment	15	10,599	10,690
Depreciation of right-of-use assets	16	4,043	2,260
Impairment loss under expected credit loss model, net	9	8,979	27,454
Impairment of investment in associates		–	34,314
Write-off of other intangible assets	19	953	–
Loss/(gain) on extinguishment of financial liabilities by issue of ordinary shares	35(g)/(d)	17,186	(28,355)
Cancellation of promissory notes	34	–	(92,000)
Fair value loss on investment properties	17	925	989
Fair value change on contingent consideration payables		–	(5,005)
Fair value change on convertible bonds — derivative component	33	(1)	(112)
Interest expenses		28,919	27,068
Interest income		(638)	(244)
Write-off of property, plant and equipment		47	73
Reversal of write-down of inventories		–	(1,259)
Gain on disposal of subsidiary		–	(589)
Share of results of associates		36,806	21,958
Operating results before movements in working capital		44,848	69,106
Changes in inventories		(12,766)	(14,425)
Changes in biological assets		(2,789)	–
Changes in trade receivables		(10,854)	9,366
Changes in bills receivables		11,661	(10,655)
Changes in prepayments, deposits and other receivables		(2,341)	(14,849)
Changes in trade payables		(6,856)	7,373
Changes in accruals and other payables		(8,450)	4,169
Changes in amount due to an associate		(5)	(5)
Cash generated from operations		12,448	50,080
Interest paid		(9,936)	(11,463)
Income taxes paid		(5,886)	(11,074)
Net cash (used in)/from operating activities		(3,374)	27,543

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Investing activities			
Interest received		638	244
Purchase of property, plant and equipment		(6,557)	(17,303)
Net cash inflow on acquisition of a subsidiary	36	1	–
Net cash used in investing activities		(5,918)	(17,059)
Financing activities			
Bank and other loans raised		11,235	21,883
Proceeds from issue of convertible bonds	33(ii)	45,000	–
Proceeds from issue and placement of shares, net of expenses	35(f)	51,300	–
Repayment of bank and other loans		(22,920)	(9,556)
Repayment of promissory notes		–	(5,189)
Repayment of convertible bond	33(i)	(51,000)	–
Repayment of principal portion of lease liabilities	16	(1,377)	(1,491)
Net cash from financing activities		32,238	5,647
Net increase in cash and cash equivalents		22,946	16,131
Cash and cash equivalents at the beginning of the year		111,867	99,058
Effect of foreign exchange rate changes		1,088	(3,322)
Cash and cash equivalents at end of the year		135,901	111,867

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

AOM International Group Company Limited (formerly known as Kiu Hung International Holdings Limited) (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and continued in Bermuda with limited liability under the Companies Act 1981 of the Bermuda. The address of its registered office is The Penthouse Level, 5 Reid Street, Hamilton HM11, Bermuda. The address of its principal place of business is Flat E, 20/F., Lucky Plaza, 315–321 Lockhart Road, Wanchai, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Pursuant to the special meeting held on 7 November 2024, a special resolution was passed for the change of the name of the Company from “Kiu Hung International Holdings Limited” to “AOM International Group Company Limited”, and the secondary name in Chinese “權識國際集團股份有限公司” has been adopted in place of the unregistered Chinese name of “僑雄國際控股有限公司”, and the new names have been entered into the register maintained by the Registrar of Companies in Bermuda with effect from 8 November 2024. The certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 29 November 2024 confirming the registration of the Company’s new English and Chinese names of “AOM International Group Company Limited” and “權識國際集團股份有限公司” respectively in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in (i) the manufacturing and trading of toys and gifts items, (ii) development, processing and manufacturing of Chinese herbs products, (iii) the investment in various businesses including fruit plantation, leisure and culture and (iv) trading of wine.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. The directors of the Company (“**Directors**”) consider HK\$ is the most appropriate presentation currency for the users of the Group’s financial statements as the Company is listed on the Stock Exchange. The functional currency of the Company’s major subsidiaries in the People’s Republic of China (“**PRC**”) and the United States of America (“**USA**”) is Renminbi (“**RMB**”) and United States dollars (“**US\$**”) respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs 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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Going concern basis

For the year ended 31 December 2024, the Group incurred a loss of approximately HK\$72,825,000 and as at that date, the Group had net current liabilities of approximately HK\$26,428,000 and secured other borrowings of HK\$67,572,000 together with accrued interest of HK\$30,650,000 has been defaulted. As at the date of issuance of the consolidated financial statements, no assets of the Group have been seized/frozen or restricted. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the Directors are implementing various plans and measures, as follows:

- (1) subsequent to 31 December 2024, the Group is negotiating with the lender of the defaulted loans for settlement/extension; and
- (2) the Group is considering to raise new capital by carrying out fund raising activities including but not limited to right issue, open offer, placing of new shares and issuance of convertible bonds.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the abovementioned plans and measures to be undertaken by the Group. The Directors are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2024. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Foreign currency translation

(a) 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 HK\$, which is the Company's functional and presentation currency.

(b) 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.

(c) 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:

- (i) 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;
- (ii) 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
- (iii) 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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Property, plant and equipment

Land and buildings comprise mainly factories, offices and warehouse. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent impairment losses, if any.

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 profit or loss during the period in which they are incurred.

Roadings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to accumulated losses.

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost, or revalued amount of assets, less their residual values over their estimated useful lives using the straight-line method. The principal annual rates are as follows:

Leasehold land and buildings	Over the lease terms
Roadings	Over the lease terms
Farming plant and equipment	20 years with 5% residual value or over the lease terms
Leasehold improvements	Shorter of 10 years or over the lease terms
Machineries	5 to 10 years
Moulds	2 to 10 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	4 to 6 years
Bearer plant	25 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment properties are initially measured at its cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in fair value of the investment properties are included in profit or loss for the period in which they arise.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The principal annual rates of amortisation of intangible assets are as follows:

Trademark	:	99 years
Customer contracts	:	2 to 4 years
Forestry rights	:	29 to 36 years
Patent use	:	15 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Leases *(continued)*

(a) The Group as a lessee

(i) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis or another systematic basis over the lease term.

(iii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The principal annual rates are as follows:

Leased properties	Over the lease term
Motor vehicle	4 to 5 years

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Leases *(continued)*

(a) The Group as a lessee (continued)

(iv) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(v) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Leases *(continued)*

(b) The Group as a lessor

(i) Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(ii) Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Biological assets

Biological assets comprise fresh herb bunches and herbs before harvest in leased farming lands and are classified as current assets if they could be harvested within one year. Trees owned by the Group are bearer plants and accounted for as property, plant and equipment.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. For Chinese herbs products, cost is determined using a first-in, first-out method. For toys and gifts items, cost is determined using a weighted average method. The cost of finished goods and work in progress comprises costs of raw materials and direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(a) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and bills receivables, deposits and other receivables and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve for financial assets at FVTOCI is not reclassified to profit or loss, but is transferred to accumulated losses.

(b) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(b) Financial liabilities and equity (continued)

Financial liabilities at FVTPL *(continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, amount due to an associate, borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

(b) Financial liabilities and equity (continued)

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 component and derivative components 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 component is 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

(c) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

Employee benefits

(a) 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.

(b) Pension obligations

In Hong Kong

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

In PRC

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Borrowing costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before income tax because of income or expense that are taxable or deductible in other years and 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.

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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Taxation *(continued)*

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

The measurement of deferred tax liabilities and assets 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 entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements 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) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties in the PRC that are measured using the fair value model, the Directors have reviewed the Group's investment property in the PRC portfolios and concluded that the Group's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties in the PRC over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties in the PRC, the directors have rebutted the presumption that investment properties in the PRC measured using the fair value model are recovered through sale.

For the purposes of measuring deferred tax for investment properties in Hong Kong that are measured using the fair value model, the Directors have reviewed the Group's investment property in Hong Kong and concluded that the Group's investment properties in Hong Kong 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 in Hong Kong, the directors have adopted the presumption that investment properties in Hong Kong measured using the fair value model are recovered through sale.

(b) *Significant influence over USO Management & Holding Co. Limited ("USO")*

Note 20(d) describes that USO is an associate of the Group as the Group has 47% ownership interest and voting rights in USO. The Group has a 47% ownership in USO; the other 53% of shareholdings are owned by two investors that are unrelated to the Group.

The Directors assessed whether the Group has control over USO based on whether the Group has the practical ability to direct the relevant activities of USO unilaterally. In making the judgement, the Directors considered the Group's absolute size of holding in USO and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the Directors concluded that the Group does not have sufficiently dominant voting interest to direct the relevant activities of USO and therefore the Group does not have control over USO.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(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 values of investment properties, leasehold land and buildings

In making its estimates, the Group considers the information from the valuations of investment properties (note 17) and leasehold land and buildings (note 15) performed by an external professional valuer using the market approach. Had the Group used different valuation techniques, the fair value of the investment properties and leasehold land and buildings would be different and thus may have an impact on the consolidated financial statements.

At 31 December 2024, the fair values of investment properties and leasehold land and buildings would change by approximately HK\$1,125,000 (2023: HK\$1,245,000) and approximately HK\$5,470,000 (2023: HK\$6,440,000) respectively if the market values of comparable properties or the unobservable inputs adopted under the valuation approach differ by 10% from the Group's estimates.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period. The carrying amount of inventories at 31 December 2024 was approximately HK\$97,643,000 (2023: HK\$87,910,000). During the year ended 31 December 2024, no allowance was recognised (2023: reversal of write-down of approximately HK\$1,259,000 to net realisable value).

(c) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables in groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually. At 31 December 2024, the carrying amount of the trade receivables and accumulated impairment loss under expected credit loss model amounted to approximately HK\$51,237,000 and HK\$18,846,000 respectively (2023: HK\$39,466,000 and HK\$11,661,000 respectively).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 26 and 38(b).

(d) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(d) Current and deferred income taxes *(continued)*

Deferred income tax assets relating to certain temporary difference and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Estimated impairment of investments in associates

As at 31 December 2024, in view of significant losses incurred by the associates, the Group performed impairment assessment on investments in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associates which is the higher of value-in-use and fair value less costs of disposal. The value-in-use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associates and the proceeds from the ultimate disposal of the investment taking into account of factors such as discount rate. The fair value less costs of disposal calculation requires the management of the Group to estimate the present value of the expected future economic benefits to be derived from the major assets of the associates based on market data. In cases where the actual cash flows or future economic benefits are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 December 2024, the carrying amount of the investments in associates amounted to approximately HK\$204,894,000 (2023: HK\$246,969,000), no impairment was recognised during the year (2023: impairment of HK\$34,314,000).

(f) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss or further impairment loss may arise.

As at 31 December 2024, the carrying amount of goodwill was approximately HK\$50,199,000 (2023: HK\$50,940,000) (net of accumulated impairment loss of Nil (2023: Nil)). Details of the recoverable amount calculation are disclosed in note 18.

(g) Valuations of biological assets

The Group's biological assets are valued at fair values less costs to sell with reference to the work performed by International Valuation Limited ("IVL"), an independent firm of professional valuer, which involves the use of assumptions and estimates. Any changes in the estimates may affect the fair values less costs to sell of these biological assets and result in fair value re-measurement changes in future accounting periods. The directors and IVL have exercised their judgement and are satisfied that the valuation is reflective of their fair values. As at 31 December 2024, the carrying amount of the Group's biological assets was approximately HK\$7,615,000 (2023: HK\$ 5,051,000).

Further details about the valuations of biological assets are set out in note 25 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

	2024 HK\$'000	2023 HK\$'000
Sales of toys and gifts items	239,744	262,377
Sales of Chinese herbs products	95,286	121,546
Sales of wines	51,632	–
	386,662	383,923
By revenue source		
<i>Manufacturing of goods items</i>		
— Toys and gifts items	146,093	135,940
— Chinese herbs products	95,286	121,546
<i>Trading of goods items</i>		
— Toys and gift items	93,651	126,437
— Wines	51,632	–
	386,662	383,923
<i>Timing of revenue recognition</i>		
At point in time	386,662	383,923

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. REVENUE *(continued)*

(b) Performance obligations for contracts with customers

Revenue from (1) sales of toys and gifts items, (2) sales of Chinese herbs products and (3) sales of wines are recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when to sell the goods, bears the risks of obsolescence and loss in relation to the goods. Invoices are usually payable within 90 days, 120 days and 30 days for sales of toys and gifts items, sales of Chinese herbs products and sales of wines respectively.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for toys and gifts items, Chinese herbs products and sales of wines such that the above information does not include information about revenue that the Group will be entitled to in future periods when it satisfies the remaining performance obligations under the contracts for sales of toys and gifts items, Chinese herbs products and wines that had an original expected duration of one year or less.

6. OPERATING SEGMENT INFORMATION

For the year ended 31 December 2024, the Group has seven (2023: six) reportable and operating segments as follows:

Exploration	—	Exploration of natural resources
Toys and gifts items	—	Manufacturing and trading of toys and gifts items
Fruit plantation	—	Investment in business related to fruit plantation
Leisure	—	Investment in the PRC outbound tourism and tea and wine products related business through associates of the Group
Culture	—	Trading of ceramic items
Chinese herbs	—	Development, processing and manufacturing of Chinese herbs
Wines	—	Trading of wines

Upon completion of acquisition of Fujian Laojiu Investment Co., Ltd ("**Fujian Laojiu**") on 31 May 2024 (note 36), wines — trading of wines business become the new reportable and operating segment of the Group for the year ended 31 December 2024.

The Group's reportable and operating segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment results do not include corporate finance costs, fair value gain on convertible bonds — derivative component, (loss)/gain on extinguishment of financial liabilities by issue of shares, cancellation of promissory notes, other corporate income and expenses and fair value change on contingent consideration payables. Segment assets do not include assets at corporate level, bank balances and cash, prepayments, deposits and other receivables and right-of-use assets. Segment liabilities do not include liabilities at corporate level, borrowings, accruals and other payables, convertible bonds and lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION *(continued)*

(a) The segment results for the year ended 31 December 2024 and 2023:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Wines		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss																
Year ended 31 December																
Revenue from external customers	-	-	239,744	262,377	-	-	-	-	-	-	95,286	121,546	51,632	-	386,662	383,923
Segment (loss)/profit	-	(11)	(12,386)	5,537	(33,886)	(31,786)	(3,125)	(45,383)	-	590	40,444	50,182	(748)	-	(9,701)	(20,871)
Unallocated amounts:																
Corporate finance costs															(27,077)	(25,417)
Fair value gain on convertible bonds — derivative component															1	112
(Loss)/gain on extinguishment of financial liabilities by issue of shares															(17,186)	28,355
Cancellation of promissory notes															-	92,000
Other corporate income and expenses															(18,862)	(13,483)
Fair value change on contingent consideration payables															-	5,005
(Loss)/profit for the year															(72,825)	65,701

Notes:

(i) There were no inter-segment sales during the years.

(b) Segment assets:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Wines		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December																
Segment assets	2	2	213,413	234,889	125,974	162,044	89,917	95,909	-	-	295,213	277,029	22,137	-	746,656	769,873
Unallocated corporate assets																
Bank balances and cash															68	72
Prepayments, deposits and other receivables															49,604	336
Right-of-use assets															283	-
Total assets															796,611	770,281

(c) Segment liabilities:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Wines		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December																
Segment liabilities	(88)	(91)	(176,145)	(175,461)	(1,005)	(1,005)	(16,540)	(14,809)	-	-	(5,892)	(8,936)	(22,807)	-	(222,477)	(200,302)
Unallocated corporate liabilities																
Borrowings															(23,327)	(50,046)
Accruals and other payables															(68,894)	(49,346)
Convertible bonds															(97,975)	(130,611)
Lease liabilities															(289)	-
Total liabilities															(412,962)	(430,305)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION *(continued)*

(d) Other information:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Wines		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	-	-	(7,990)	(9,190)	-	-	-	-	-	-	(8,678)	(6,550)	(656)	-	(192)	-	(17,516)	(15,740)
Impairment/(reversal of impairment loss) of investment in associates	-	-	-	-	-	(35,814)	-	1,500	-	-	-	-	-	-	-	-	-	(34,314)
Impairment loss under expected credit loss model, net	-	(11)	(7,362)	(1,895)	-	-	(204)	(24,026)	-	-	347	(354)	(158)	-	(1,602)	(1,168)	(8,979)	(27,454)
Reversal of write-down of inventories	-	-	-	1,259	-	-	-	-	-	-	-	-	-	-	-	-	-	1,259
Share of results of associates	-	-	-	-	(33,886)	899	(2,920)	(22,857)	-	-	-	-	-	-	-	-	(36,806)	(21,958)
Interest income	-	-	583	137	-	-	-	-	-	-	53	107	1	-	-	-	637	244
Interest expenses	-	-	(1,723)	(8,792)	-	-	-	-	-	-	(57)	(59)	(40)	-	(27,099)	(18,217)	(28,919)	(27,068)
Additions to segment non-current assets (note)	-	-	387	503	-	-	-	-	-	-	5,957	44,466	10,175	-	474	-	16,993	44,969
Investment in associates included in segment assets	-	-	-	-	115,356	151,426	89,538	95,543	-	-	-	-	-	-	-	-	204,894	246,969
Income tax (expense)/credit	-	-	(1,565)	2,774	-	3,129	-	-	-	-	(5,456)	(9,276)	40	-	-	-	(6,981)	(3,373)

Note:

Non-current assets included property, plant and equipment, right-of-use assets and goodwill.

(e) Geographical information:

	Revenue		Non-current assets	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong)	147,696	122,084	454,801	435,322
The USA	238,852	261,792	1,539	1,581
Canada	-	47	-	-
Samoa	-	-	7,221	16,327
Others ¹	114	-	-	-
	386,662	383,923	463,561	453,230

Note: Non-current assets excluded deferred tax assets.

¹ Others include Asia.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION *(continued)*

(e) Geographical information: *(continued)*

The geographical analysis of revenue is based on location of customers which is determined based on the location at which the goods were delivered and information about the geographical analysis of non-current assets, which include goodwill, property, plant and equipment, right-of-use assets, investment properties, other intangible asset, investments in associates, deposit paid for acquisition of property and prepayment, is classified in accordance with geographical location of the assets or the associates' country of domicile at the end of the reporting period.

Revenue from customers of the corresponding years which contributed more than 10% of the Group's total revenue for the year represented approximately 73% of the total Group's revenue for the year ended 31 December 2024 (2023: 59%), which are shown as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A ¹	123,231	98,818
Customer B ²	57,003	76,442
Customer C ³	51,528	N/A ⁴
Customer D ¹	50,655	52,533

¹ Revenue from toys and gifts item.

² Revenue from Chinese herbs.

³ Revenue from wine.

⁴ The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. OTHER INCOME/OTHER GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Other income		
Bank interest income	638	244
Rental income from investment properties	405	385
Written back of interest payable on promissory note	–	4,132
Written back of accrued expenses (Note)	1,172	3,020
Others	411	677
	2,626	8,458
Other gains, net		
Fair value loss on investment properties	(925)	(989)
Fair value gain on contingent consideration payables	–	5,005
Fair value gain on convertible bonds — derivative component	1	112
Gain on disposal of a subsidiary	–	589
Net foreign exchange loss	1,813	4,258
	889	8,975

Note:

During the year ended 31 December 2024, the Group recognised an over provision in the amount of approximately HK\$1,172,000 in respect of provision for rental expenses. Details of the information are set out in the note 46(b) to the consolidated financial statements.

During the year ended 31 December 2023, the Group reviewed its accrued expenses which included provisions for legal and professional fees recognised based on mandates entered into years ago. The Group determined that the services set out in the respective mandates were not provided and no payments were requested by the respective professional parties. Thus, having reviewed theses accruals the Directors concluded that the accrued expenses of approximately HK\$3,020,000 be written back in the year ended 31 December 2023.

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest expenses on:		
Bank borrowings and overdrafts	573	793
Effective interest expense on convertible bonds	18,815	15,457
Other loans	9,345	8,925
Trust receipt loans	19	47
Interest on lease liabilities	167	148
Promissory notes	–	1,698
	28,919	27,068

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	2024 HK\$'000	2023 HK\$'000
Impairment losses recognised on:		
— Trade receivables	7,525	1,190
— Deposit and other receivables	1,454	26,264
	8,979	27,454

10. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	719	973
Overprovision in prior year	(2)	(163)
	717	810
Current tax — Overseas		
Provision for the year	5,093	11,257
Total current tax	5,810	12,067
Deferred income tax	1,171	(8,694)
Income tax expense	6,981	3,373

Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other subsidiaries of the Company are subject to Hong Kong Profits Tax at the rate of 16.5% for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10. INCOME TAX EXPENSE (continued)

The reconciliation between the income tax expense and (loss)/profit before income tax multiplied by Hong Kong profits tax rate is as follows:

	2024 HK\$'000	2023 HK\$'000
(Loss)/profit before income tax	(65,844)	69,074
Tax at the applicable tax of 16.5% (2022: 16.5%)	(10,864)	11,397
Tax effect of income and gains that are not taxable	(163)	(17,227)
Tax effect of expenses that are not deductible	7,880	5,416
Tax effect of utilisation of tax losses not previously recognised	(657)	(396)
Tax effect of temporary differences not recognised	693	(4,163)
Tax effect of share of result of associates	6,073	3,623
Tax effect of unused tax losses not recognised	50	–
Tax effect of two-tiered profits rate regime	(165)	(165)
Tax reductions	(5)	(3)
Over provision for prior year	(2)	(163)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,141	5,054
Income tax expense	6,981	3,373

Tax charge relating to each component of other comprehensive income/(loss) is as follows:

	2024			2023		
	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000
Exchange differences on translating foreign operations	(16,921)	–	(16,921)	(13,070)	–	(13,070)
Surplus on revaluation of properties	(2,985)	547	(2,438)	8,258	(1,363)	6,895
Share of exchange translation difference of associates	(5,270)	–	(5,270)	(7,095)	–	(7,095)
Other comprehensive loss	(25,176)	547	(24,629)	(11,907)	(1,363)	(13,270)
Current tax		–			–	
Deferred income tax (note 23)		547			(1,363)	
		547			(1,363)	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

11. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived after charging:

	2024 HK\$'000	2023 HK\$'000
Cost of sales		
Amortisation of other intangible assets	2,874	2,778
Cost of materials consumed	190,861	164,500
Depreciation of property, plant and equipment	2,902	1,835
Depreciation of right-of-use assets	2,710	922
Licence fee	9,891	9,891
Reversal of write-down of inventories	–	(1,259)
Royalty fee	17,496	17,496
Salaries, bonus and allowance	11,721	13,951
Subcontracting fee	1,396	1,396
Others	5,145	6,606
	244,996	218,116
Selling and distribution costs		
Advertising and promotional costs	2,832	5,235
Amortisation of intangible assets	–	12
Research and development costs	6,258	5,429
Sales commission	5,922	6,032
Salaries, bonus and allowance	9,507	8,170
Testing	2,254	2,213
Couriers	2,860	3,297
Others	6,538	6,958
	36,171	37,346
Administrative expenses		
Auditor's remuneration		
— Provision for the year	2,512	2,428
— Over-provision in previous year	(318)	(9)
Consultancy fee	1,165	2,647
Depreciation of property, plant and equipment	7,697	8,855
Depreciation of right-of-use assets	1,333	1,338
Entertainment	3,835	5,668
Expense relating to short-term leases	5,580	5,750
Write-off of property, plant and equipment	47	73
Written off of other intangible assets	953	–
Legal and professional fees	2,786	3,045
Salaries, bonus and allowance (including directors' remuneration)	37,722	36,565
Retirement benefits scheme contributions	3,064	2,765
Others	16,588	17,256
	82,964	86,381

Note: For the year ended 31 December 2023, the cost of inventories recognised as an expense in cost of sales included approximately HK\$1,259,000 in respect of reversal of write-down to net realisable value (2024: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS' EMOLUMENTS

(a) The emoluments of each director were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2024				
Executive directors:				
Mr. Yang Ling (appointed on 5 April 2024 & appointed as Chairman on 4 October 2024)	–	148	–	148
Mr. Yang Bincheng (appointed on 9 September 2024)	–	37	–	37
Mr. Zhang Qijun (Chairman) (resigned on 4 October 2024)	–	152	–	152
Mr. Liu Mingqing	–	600	–	600
Mr. Sun Wei Wei	–	–	–	–
Mr. Li Lizhong (Co-chairman) (appointed on 4 October 2024)	–	566	–	566
Non-executive director:				
Mr. Tang Sing Hing, Kenny (appointed on 12 December 2024)	70	–	–	70
Independent non-executive directors:				
Mr. Wang Xiao Ning	144	–	–	144
Ms. Chen Yuxin	–	–	–	–
Ms. Wei Yu (resigned on 4 October 2024)	91	–	–	91
Mr. Chak Ching long (appointed on 4 October 2024)	29	–	–	29
	334	1,503	–	1,837

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS' EMOLUMENTS *(continued)*

(a) The emoluments of each director were as follows: *(continued)*

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2023				
Executive directors:				
Mr. Zhang Qijun <i>(Chairman)</i>	–	200	–	200
Ms. Lai Yee Man <i>(resigned on 17 April 2023)</i>	–	76	–	76
Mr. Liu Mingqing	–	600	–	600
Mr. Sun Wei Wei <i>(appointed on 5 September 2023)</i>	–	–	–	–
Independent non-executive directors:				
Mr. Wang Xiao Ning	144	–	–	144
Mr. Kong Chun Wing <i>(resigned on 15 June 2023)</i>	55	–	–	55
Ms. Chen Yuxin	–	–	–	–
Ms. Wei Yu <i>(appointed on 19 June 2023)</i>	64	–	–	64
	263	876	–	1,139

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.

The non-executive directors and 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

12. DIRECTORS' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included Nil (2023: Nil) directors whose emoluments are reflected in the analysis presented above. The emoluments of the five (2023: five) individuals are set out below:

	2024 HK\$'000	2023 HK\$'000
Salaries, wages and allowances	10,120	11,068
Bonus*	10,267	7,267
Retirement benefits scheme contributions	1,002	1,067
	21,389	19,402

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
HK\$1,000,000 to HK\$1,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	–	2
HK\$5,000,001 to HK\$5,500,000	2	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–
	5	5

During the year, no emoluments (2023: Nil) were paid by the Group to the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

* Certain key management of the Company are entitled to bonus payments which are determined based on a percentage of the Group's profit before tax for the year and loyalty bonus. For the year ended 31 December 2024, total bonus amount of approximately HK\$10,267,000 (2023: HK\$7,267,000) included 62%, 29% (2023: 87%, 0%) which is performance related incentive bonus, loyalty bonus and remaining balance is double-pay bonus.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. DIVIDEND

The Directors did not recommend the payment of any dividend for the years ended 31 December 2024 and 2023.

14. (LOSS)/EARNINGS PER SHARE

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

	2024 HK\$'000	2023 HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted loss per share	(84,626)	37,213
Number of shares		
Weighted average number of ordinary shares in issue	340,870	95,278
(Loss)/earnings per share		
Basic (loss)/earnings per share (HK cents)	(24.83)	39.06

Note: The weighted average number of ordinary shares for the year ended 31 December 2024 and 2023 has been retrospectively adjusted for the two-to-one share consolidation ("**2024 Share Consolidation**") of the Company which became effective on 16 January 2024. The (loss)/earnings per share calculations for 2024 and 2023 have been adjusted so as to be based on the new number of shares under the 2024 Share Consolidation.

Diluted (loss)/earnings per share

For the years ended 31 December 2024 and 31 December 2023, the computation of the basic and diluted (loss)/earnings per share are the same as the convertible bonds are anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Farming plant and equipment HK\$'000	Leasehold improvements HK\$'000	Machineries HK\$'000	Moulds HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Roading HK\$'000 (note)	Bearer plant HK\$'000	Total HK\$'000
COST/VALUATION										
At 1 January 2023	63,200	20,806	4,705	6,555	14,762	19,492	1,088	–	–	130,608
Adjustment on revaluation	1,200	–	–	–	–	–	–	–	–	1,200
Additions	–	–	–	27	29	364	83	16,800	–	17,303
Written off	–	–	–	(35)	(499)	(51)	(186)	–	–	(771)
Exchange difference	–	(588)	(42)	(51)	(39)	(288)	(48)	(138)	–	(1,194)
At 31 December 2023 and 1 January 2024	64,400	20,218	4,663	6,496	14,253	19,517	937	16,662	–	147,146
Acquired on acquisition of a subsidiary (note 36)	–	–	–	–	–	30	365	–	–	395
Adjustment on revaluation	(9,700)	–	–	–	–	–	–	–	–	(9,700)
Additions	–	4,065	61	43	117	379	–	–	1,892	6,557
Written off	–	–	–	(272)	(618)	(46)	–	–	–	(936)
Exchange difference	–	(751)	(50)	(53)	(23)	(359)	(57)	(549)	(39)	(1,881)
At 31 December 2024	54,700	23,532	4,674	6,214	13,729	19,521	1,245	16,113	1,853	141,581
ACCUMULATED DEPRECIATION										
At 1 January 2023	–	1,806	3,081	6,064	14,171	10,625	927	–	–	36,674
Charge for the year	7,058	1,095	133	52	282	1,465	77	528	–	10,690
Adjustment on revaluation	(7,058)	–	–	–	–	–	–	–	–	(7,058)
Written off	–	–	–	(32)	(474)	(25)	(167)	–	–	(698)
Exchange difference	–	(59)	(17)	(37)	(25)	(97)	(43)	(4)	–	(282)
At 31 December 2023 and 1 January 2024	–	2,842	3,197	6,047	13,954	11,968	794	524	–	39,326
Charge for the year	6,715	1,479	130	49	141	1,400	110	518	57	10,599
Adjustment on revaluation	(6,715)	–	–	–	–	–	–	–	–	(6,715)
Written off	–	–	–	(259)	(587)	(43)	–	–	–	(889)
Exchange difference	–	(125)	(24)	(38)	(14)	(183)	(49)	(28)	(1)	(462)
At 31 December 2024	–	4,196	3,303	5,799	13,494	13,142	855	1,014	56	41,859
CARRYING AMOUNTS										
At 31 December 2024	54,700	19,336	1,371	415	235	6,379	390	15,099	1,797	99,722
At 31 December 2023	64,400	17,376	1,466	449	299	7,549	143	16,138	–	107,820

Note: Roothing consists of the costs for construction of roads in the PRC for its plantation farms for its Chinese herbs business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

An analysis of the cost/valuation of the above assets is as follows:

	Leasehold land and buildings HK\$'000	Farming plant and equipment HK\$'000	Leasehold improvements HK\$'000	Machineries HK\$'000	Moulds HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Roading HK\$'000	Bearer plant HK\$'000	Total HK\$'000
31 December 2024										
At cost	-	23,532	4,674	6,214	13,729	19,521	1,245	16,113	1,853	86,881
At valuation	54,700	-	-	-	-	-	-	-	-	54,700
	54,700	23,532	4,674	6,214	13,729	19,521	1,245	16,113	1,853	141,581
31 December 2023										
At cost	-	20,218	4,663	6,496	14,253	19,517	937	16,662	-	82,746
At valuation	64,400	-	-	-	-	-	-	-	-	64,400
	64,400	20,218	4,663	6,496	14,253	19,517	937	16,662	-	147,146

An analysis of the carrying amounts of the Group's leasehold land and buildings is as follows:

	2024 HK\$'000	2023 HK\$'000
Held under medium term leases in Hong Kong	54,700	64,400

The Group owns several industrial buildings where its manufacturing facilities in relation to the Group's toy business are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately as prepaid lease payment in right-of-use assets only if the payments made can be allocated reliably.

At 31 December 2024, the Group's leasehold land and buildings with an aggregate carrying amount of approximately of HK\$53,200,000 (2023: HK\$63,000,000) were pledged to secure other loan granted to the Group.

The Group's leasehold land and buildings were revalued at 31 December 2024 and 2023 using the open market value basis by reference to market evidence of recent transactions for similar properties by IVL (2023: LCH (Asia-Pacific) Surveyors Limited ("LCH")), an independent firm of qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the leasehold land and buildings being valued.

The carrying amount of the Group's leasehold land and buildings at 31 December 2024 would have been approximately HK\$1,505,000 (2023: HK\$1,571,000) had they been stated at cost less accumulated depreciation and impairment losses.

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For the year ended 31 December 2024

16. RIGHT-OF-USE ASSETS

	Leased farming land HK\$'000	Leased properties HK\$'000 (note)	Motor vehicles HK\$'000	Prepaid lease payment HK\$'000	Total HK\$'000
Cost					
As at 1 January 2023	1,120	5,947	3,511	–	10,578
Additions	–	–	–	27,666	27,666
Expiry of lease	–	(5,963)	–	–	(5,963)
Effect of foreign currency exchange	(32)	16	–	(228)	(244)
As at 31 December 2023 and 1 January 2024	1,088	–	3,511	27,438	32,037
Additions	–	4,997	–	–	4,997
Effect of foreign currency exchange	(35)	(95)	–	(904)	(1,034)
As at 31 December 2024	1,053	4,902	3,511	26,534	36,000
Accumulated depreciation					
As at 1 January 2023	42	5,353	1,083	–	6,478
Charge for the year	41	595	702	922	2,260
Expiry of lease	–	(5,963)	–	–	(5,963)
Effect of foreign currency exchange	(2)	15	–	(7)	6
As at 31 December 2023 and 1 January 2024	81	–	1,785	915	2,781
Charge for the year	40	591	702	2,710	4,043
Effect of foreign currency exchange	(4)	(8)	–	(87)	(99)
As at 31 December 2024	117	583	2,487	3,538	6,725
Carrying amount					
At 31 December 2024	936	4,319	1,024	22,996	29,275
At 31 December 2023	1,007	–	1,726	26,523	29,256

Note:

The landlord should refer to the consumer price Index of the United States department of labor to adjust the rent fee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

	2024 HK\$'000	2023 HK\$'000
Expenses relating to short-term leases	5,580	5,750
Cash outflows in respect of lease	1,377	1,491

The Group has obtained the right to use properties as its leased farming land in the PRC, offices through tenancy agreements in Hong Kong and the United States of America, and the right to use motor vehicles through lease agreements. The leases typically run for an initial period of 2 to 36 years without extension options. The leases only included fixed lease payment. The prepaid lease payment represents the land use right for plantation farms located in PRC.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased farming land	Over the lease term of 29 to 36 years
Leased properties	Over the lease term of 2 to 3 years
Motor vehicles	4 to 5 years
Prepaid lease payment	Over the lease term of 10 years

17. INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
Fair value		
At 1 January	12,450	13,686
Fair value loss	(925)	(989)
Exchange differences	(274)	(247)
At 31 December	11,251	12,450

The Group's investment properties consist of commercial properties in the PRC and Hong Kong, which are held under medium term leases. The Directors have determined that the investment properties are commercial assets, based on the nature, characteristics and risks of the properties.

Investment properties were revalued at 31 December 2024 and 2023 on the open market value basis by reference to market evidence of recent transactions for similar properties by IVL (2023: LCH), an independent firm of qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

At 31 December 2024, the Group's investment properties with an aggregate carrying amount of approximately HK\$7,950,000 (2023: HK\$8,550,000) were pledged to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18. GOODWILL

	HK\$'000
Cost	
At 1 January 2023	54,802
Exchange difference	(3,862)
At 31 December 2023 and 1 January 2024	50,940
Acquisition of a subsidiary (Note 36)	951
Exchange difference	(1,692)
At 31 December 2024	50,199
Carrying amount	
At 31 December 2024	50,199
At 31 December 2023	50,940

Goodwill set out above has been allocated to two individual cash generating units ("CGU") arising from the acquisition of Hubei Jincaotang Pharmaceutical Co., Ltd. ("Hubei Jincaotang") in the Chinese herbs — Chinese herbs business segment and Fujian Laojiu in the wines — trading of wines business segment in 2021 and 2024 respectively.

	2024 HK\$'000	2023 HK\$'000
Goodwill is allocated into:		
Chinese herbs	49,248	50,940
Trading of wines	951	—
	50,199	50,940

Chinese herbs

The goodwill arose from the acquisition of Hubei Jincaotang on 27 May 2021, which is engaged in the development, processing and manufacturing of Chinese herbs.

The recoverable amount of the individual cash generating unit ("CGU") was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 3 years (2023: 3 years).

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue, gross margins, selling and distribution costs and administrative expenses during the 3-year forecasts period. The pre-tax discount rate applied to the cash flow projections is 20.5% (2023: 23%). The CGU's cash flows beyond the 3-year period are extrapolated using a steady 2% growth rate (2023: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Budgeted revenue has been estimated based on past experience and future expectations in the light of anticipated economic and market conditions. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin, selling and distribution costs and administrative expenses, such estimation is based on the unit's past performance and management's expectations for the market development. There has been no change from the valuation technique used in the prior year. Based on the valuation report prepared by IVL (2023: LCH), management of the Group determines that there is no impairment on the CGU.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18. GOODWILL *(continued)*

Chinese herbs *(continued)*

Management of the Group believes that any reasonable possible change in any of these assumptions would not result in impairment.

Trading of wines

The goodwill arose from the acquisition of Fujian Laojiu on 5 June 2024 (note 36), which is engaged in the trading of wines in the PRC.

The recoverable amount of the individual cash generating unit ("**CGU**") was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue, gross margins, selling and distribution costs and administrative expenses during the 5-year forecasts period. The pre-tax discount rate applied to the cash flow projections is 22.1%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Budgeted revenue has been estimated based on past experience and future expectations in the light of anticipated economic and market conditions. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin, selling and distribution costs and administrative expenses, such estimation is based on the unit's past performance and management's expectations for the market development. Based on the valuation report prepared by IVL, management of the Group determines that there is no impairment on the CGU.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

19. OTHER INTANGIBLE ASSETS

	Trademark HK\$'000	Customer contracts HK\$'000 (Note i)	Forestry right HK\$'000	Patent use HK\$'000 (Note ii)	Total HK\$'000
Cost					
At 1 January 2023	1,155	44,219	2,369	–	47,743
Exchange difference	–	(1,250)	(67)	–	(1,317)
At 31 December 2023 and 1 January 2024	1,155	42,969	2,302	–	46,426
Acquisition from subsidiary (note 36)	–	–	–	4,093	4,093
Write-off	(1,155)	–	–	–	(1,155)
Exchange difference	–	(1,415)	(76)	(64)	(1,555)
At 31 December 2024	–	41,554	2,226	4,029	47,809
Accumulated amortisation					
At 1 January 2023	190	38,699	70	–	38,959
Charge for the year	12	2,708	70	–	2,790
Exchange difference	–	(1,116)	(2)	–	(1,118)
At 31 December 2023 and 1 January 2024	202	40,291	138	–	40,631
Charge for the year	–	2,645	69	160	2,874
Write-off	(202)	–	–	–	(202)
Exchange difference	–	(1,382)	(6)	(3)	(1,391)
At 31 December 2024	–	41,554	201	157	41,912
Carrying amount					
At 31 December 2024	–	–	2,025	3,872	5,897
At 31 December 2023	953	2,678	2,164	–	5,795

Notes:

- Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Those customer contracts have finite useful lives and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected lives of 2-4 years.
- Patent use arose from the acquisition of Fujian Laojiu for the exclusive use of a brand Gushan “鼓山” for the production and sales of yellow wines under the brand in the PRC for a period of 15 years from the commencement of the exclusive agreement in 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20. INVESTMENTS IN ASSOCIATES

	2024 HK\$'000	2023 HK\$'000
Unlisted investments:		
Share of net assets	204,894	246,969
Goodwill	698,800	698,800
	903,694	945,769
Impairment losses	(698,800)	(698,800)
	204,894	246,969

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs financial statements of the associates.

(a) Multijoy Group

Name	Multijoy Developments Limited ("Multijoy")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Fruit plantation

	2024	2023
% of ownership interests	40%	40%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	377,522	452,676
Current assets	12,098	12,510
Non-current liabilities	(112,188)	(120,483)
Current liabilities	(7,095)	(6,952)
Net assets	270,337	337,751
Group's share of net assets	108,135	135,100
Goodwill	453,886	453,886
	562,021	588,986
Impairment losses	(453,886)	(453,886)
Carrying amount of Group's interests	108,135	135,100
Year ended 31 December:		
Revenue	–	–
(Loss)/profit before tax	(66,502)	475
(Loss)/profit after tax	(62,081)	4,976
Other comprehensive loss	(5,332)	(9,837)
Total comprehensive loss	(67,413)	(4,861)
Dividends received from associates	–	–

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For the year ended 31 December 2024

20. INVESTMENTS IN ASSOCIATES *(continued)*

(a) Multijoy Group *(continued)*

Impairment assessment

In light of no generation of revenue and the total comprehensive loss incurred by Multijoy Group during the year ended 31 December 2024, the Directors have performed impairment assessment on investment in Multijoy Group. The recoverable amount of Multijoy Group has been determined by an independent professional valuer, Weisi Limited ("**Weisi**") (2023: Weisi) based on fair value less costs of disposal ("**FVLCO**D").

The FVLCO D of Multijoy Group is estimated by Asset Approach. In this approach, the share of the net asset value has been used to capture the present value of the expected future economic benefits to be derived from the ownership of Multijoy Group. Weisi determined the fair value of the major asset owned by Multijoy Group and the resultant value is to be deducted by its liabilities. The major asset of the Multijoy Group included forestry concession rights in the PRC.

The FVLCO D of investment in Multijoy Group is classified as level 3 measurement. There was no change of fair value hierarchy during the years ended 31 December 2024 and 2023. Significant unobservable input included discount factor of lack of control, the higher the discount factor, the lower the fair value.

As a result of the impairment assessment, no impairment loss had been recognised in respect of the investment in Multijoy Group during the year ended 31 December 2024 (2023: Nil).

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For the year ended 31 December 2024

20. INVESTMENTS IN ASSOCIATES *(continued)*

(b) Fujian Yuguo Chaye Limited

Name	Fujian Yuguo Chaye Limited ("Fujian Yuguo")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of tea products

	2024	2023
% of ownership interests	33%	33%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	5,494	5,681
Current assets	2,075	2,099
Current liabilities	(477)	(383)
Net assets	7,092	7,397
Group's share of net assets	2,341	2,441
Goodwill	31,360	31,360
	33,701	33,801
Impairment losses	(31,360)	(31,360)
Carrying amount of Group's interests	2,341	2,441
Year ended 31 December:		
Revenue	42	78
Loss before tax	(62)	(141)
Loss after tax	(62)	(141)
Other comprehensive loss	(242)	(218)
Total comprehensive loss	(305)	(359)
Dividends received from associate	—	—

The management assesses whether there is any indication that the investment in associates may be impaired or impairment loss that is previously made may be reversed at each reporting period. The recoverable amount of the investment in an associate is determined based on the higher of value in use or fair value less cost of disposal.

At 31 December 2023, management assesses that the net assets is higher than the carrying amount of share of result of the associate, thus reversal of impairment loss of approximately HK\$1,500,000 (2024: Nil) was recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20. INVESTMENTS IN ASSOCIATES *(continued)*

(c) Anhui Fu Lao Wine Development Company Limited

Name	Anhui Fu Lao Wine Development Company Limited ("Anhui Fu Lao")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of wine products

	2024	2023
% of ownership interests	20%	20%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	53,151	57,548
Current assets	383,300	408,698
Current liabilities	(464)	(737)
Net assets	435,987	465,509
Group's share of net assets	87,197	93,102
Year ended 31 December:		
Revenue	3,235	4,073
Loss before tax	(14,496)	(114,048)
Loss after tax	(14,496)	(114,048)
Other comprehensive loss	(15,026)	(15,899)
Total comprehensive loss	(29,522)	(129,947)
Dividend received from associate	—	—

Since 31 May 2018, the Group has 20% equity interest Anhui Fu Lao. Due to the lack of cooperation from the administrator of the deceased vendor of Anhui Fu Lao (the "Administrator"), the transfer procedures of 20% equity to the Group remains incomplete. Reference to announcement of the Company date on 14 March 2023, the case was concluded on 24 February 2023. The Civil Judgment proclaimed that the 20% equity interests in Anhui Fu Lao under the name of Mr. Chen Jun Wei, son of the deceased shall belong to the Group. Such judgment is final. In the opinion of the Directors, the Group is the rightful owner of the 20% equity interests in Anhui Fu Lao. On 5 February 2025, the Company applied to the courts to exercise it right to enforce the judgement.

Notes to the Consolidated Financial Statements

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20. INVESTMENTS IN ASSOCIATES *(continued)*

(c) Anhui Fu Lao Wine Development Company Limited *(continued)*

Impairment assessment

In view of the slow recovery pace of the global business environment and significant loss incurred by Anhui Fu Lao during the years ended 31 December 2024 and 2023, the Directors have performed impairment assessment on investment in Anhui Fu Lao. The recoverable amount of Anhui Fu Lao has been determined by IVL (2023: Weisi) based on FVL COD.

The FVL COD of Anhui Fu Lao is estimated by the Asset Approach. In this approach, the share of the net asset value has been used to capture the present value of the expected future economic benefits to be derived from the ownership of Anhui Fu Lao. IVL (2023: Weisi) determined the fair value of major assets (Base Wine (酒基), Wine Tanks (酒壇酒) and Land and Buildings) owned by Anhui Fu Lao and the resultant value is to be deducted by its liabilities.

The FVL COD of investment in Anhui Fu Lao is classified as level 3 measurement. There was no change of fair value hierarchy during the years ended 31 December 2024 and 2023. Significant unobservable input included discount factor of lack of control, the higher the discount factor, the lower the fair value.

As a result of the impairment assessment, no impairment loss had been recognised in respect of the investment in Anhui Fu Lao during the year ended 31 December 2024 (2023: Nil).

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For the year ended 31 December 2024

20. INVESTMENTS IN ASSOCIATES *(continued)*

(d) USO Management & Holding Co. Ltd.

Name	USO Management & Holding Co. Ltd. ("USO")
Principal place of business/country of incorporation	Samoa/Samoa
Principal activities	Plantation and trading of noni fruit

	2024	2023
% of ownership interests	47%	47%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	22,132	24,384
Current assets	–	30,175
Non-current liabilities	(6,172)	(7,456)
Current liabilities	(597)	(12,367)
Net assets	15,363	34,736
Group's share of net assets	7,221	16,326
Goodwill	213,554	213,554
	220,775	299,880
Impairment losses	(213,554)	(213,554)
Carrying amount of Group's interests	7,221	16,326
Year ended 31 December:		
Revenue	–	32,670
Loss before tax	(19,263)	(2,322)
Loss after tax	(19,263)	(2,322)
Other comprehensive (loss)/income	111	20
Total comprehensive loss	(19,152)	(2,302)
Dividend received from associate	–	–

The Group has 47% ownership interest and voting rights in USO. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of USO unilaterally, the Directors conclude that the Group only has significant influence over USO and therefore it is classified as an associate of the Group.

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20. INVESTMENTS IN ASSOCIATES *(continued)*

(d) **USO Management & Holding Co. Ltd.** *(continued)*

Impairment assessment

The management assesses whether there is any indication that the investment in associates may be impaired or impairment loss that is previously made may be reversed at each reporting period. The recoverable amount of the investment in an associate is determined based on the higher of value in use or fair value less cost of disposal.

During the year ended 31 December 2024, USO did not generate any revenues due to a change in the associate's business model whereby the previously harvest land would be used as part of a major development plan in Samoa. The Directors have performed impairment assessment on the investment in USO and the recoverable amount for the year ended 31 December 2024 is based on the FVLCO (2023: VIU was adopted).

The recoverable amount of investment in USO for the year ended 31 December 2024 has been arrived at using the asset-based approach based on the fair value of USO's leasehold land to derive at the FVLCO.

The recoverable amount of investment in USO for the year ended 31 December 2023 has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of USO covering a 5-year period, and discount rate of 16.8%. USO's cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and net profit margins.

The budgeted sales is based on sales contracts signed with different customers as at the end of the reporting period, and sales growth rate of 4% to 7% is adopted, which does not exceed the average long-term growth rate for the relevant industry.

The budgeted net profit margins during the projection period are based on the budgeted costs for each year with reference to the historical net profit margin of USO.

Based on the valuation report prepared by IVL (2023: LCH), the recoverable amount of USO is approximately HK\$8,000,000 (2023: HK\$15,111,000), and no impairment loss was recognised for the year ended 31 December 2024 (2023: HK\$35,814,000).

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 HK\$'000	2023 HK\$'000
Unlisted investments		
— Equity securities	—	—

The unlisted equity investments represented the Group's 20% equity interest in a group of private entities established in the PRC (the "Investment Group") which owned the exploration rights of coal mines in inner Mongolia, the PRC. The Directors have elected to designate these investments in equity instruments at FVTOCI as the investments are held for long-term strategic purpose. The Investment Group, is not regarded as associates of the Group because the Group has no right to appoint directors of the Investment Group and the Group cannot exercise significant influence through participation in the directors' meeting of the Investment Group. In the absence of mining rights of the coal mining, an impairment loss of approximately HK\$3,435,000 was recognised during the year ended 31 December 2020 to fully write down the carrying amount of the investment.

In the opinion of the Directors as at 31 December 2024 and 2023, the Investment Group was still unable to generate cash flows to the Group due to the absence of the mining rights of the coal mines concerned.

22. DEPOSIT PAID FOR ACQUISITION OF PROPERTY

On 24 October 2024, Kiu Hung (Fuijian) Investment Co., Ltd, a wholly-owned subsidiary of the Group in the PRC entered into a sales and purchase agreement with an independent third party not connected with the Group for the purchase of 2,580.39 squares metres of office space in Beijing, the PRC for a consideration of RMB51,608,000 (equivalent to approximately HK\$56,283,000) as its new headquarters in the PRC for the wine segment. The original real estate ownership certificate (房產證) have been held by an independent lawyer 福建乾順律師事務所, as security until the completion of the sale. A refundable deposit of RMB45,000,000 (equivalent on approximately HK\$49,010,000) was paid to the vendor on 25 October 2024 and included as deposit at 31 December 2024 (2023: Nil). The acquisition is expected to be completed within the next 12 months. An impairment loss of HK\$587,000 was recognised for the year ended 31 December 2024 (2023: nil). At the date of issuance of the consolidated financial statements, the purchases is not yet completed.

23. DEFERRED INCOME TAX

The following is the analysis of the deferred income tax balances (after offset) for the consolidated statement of financial position purposes:

	2024 HK\$'000	2023 HK\$'000
Deferred income tax assets	70	1,589
Deferred income tax liabilities	(12,964)	(12,927)
	(12,894)	(11,338)

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23. DEFERRED INCOME TAX (continued)

The following are the major deferred tax liabilities and assets recognised by the Group:

	Decelerated tax depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Revaluation surplus on investment properties and leasehold land and buildings HK\$'000	Fair value adjustments on property, plant and equipment arising from acquisition of a subsidiary HK\$'000	Fair value adjustments on other intangible assets and right-of-use assets arising from acquisition of subsidiaries HK\$'000	PRC dividend withholding tax HK\$'000	Total HK\$'000
At 1 January 2023	881	(650)	(14,342)	(691)	(818)	(3,130)	(18,750)
Charge to equity for the year	–	–	(1,363)	–	–	–	(1,363)
Credit to profit or loss for the year	798	643	3,429	–	694	3,130	8,694
Exchange differences	(2)	7	39	20	17	–	81
At 31 December 2023 and 1 January 2024	1,677	–	(12,237)	(671)	(107)	–	(11,338)
Acquisition from subsidiary (note 36)	–	–	–	–	(1,028)	–	(1,028)
Charge to equity for the year	–	–	547	–	–	–	547
Credit to profit or loss for the year	(1,605)	(233)	1,234	(194)	(373)	–	(1,171)
Exchange differences	(2)	–	39	26	33	–	96
At 31 December 2024	70	(233)	(10,417)	(839)	(1,475)	–	(12,894)

At 31 December 2024, the Group has unused tax losses of approximately HK\$3,458,000 (2023: HK\$7,151,000) available for offset against future profits. No deferred income tax assets have been recognised due to the unpredictability of future taxable profit of these subsidiaries. Tax losses may be carried forward indefinitely.

At 31 December 2024, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary in the PRC for which deferred tax liabilities have not been recognised was approximately HK\$201,006,000 (2023: HK\$164,607,000). No deferred tax liability has been recognised in respect of these differences because the Directors considers the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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24. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	5,148	7,817
Work in progress	206	1,073
Finished goods	92,289	79,020
	97,643	87,910

25. BIOLOGICAL ASSETS

Biological assets comprise solely of fresh herbs growing on herb plants.

	2024 HK\$'000	2023 HK\$'000
At 1 January	5,051	5,198
Increase due to purchase, net of cultivation	2,789	–
Exchange difference	(225)	(147)
At 31 December	7,615	5,051

Wild honeysuckle flower bud (山銀花) ("honeysuckle") is a Chinese herb which can normally be harvested twice a year in April/May and September/October. At 31 December 2024, the Group has 5 honeysuckle plantation farms (2023: 1) which is expected to produce 682,660 honeysuckle (2023: 66,000). The growth cycle of honeysuckle is 3 years from seeding to first harvest and honeysuckle have a lifespan of approximately 20 years. During the year, 1 plantation farm was ready for harvest (2023: 1).

The fair values less costs to sell of the Group's biological assets are derived from many assumptions and are affected by factors including different usage of growth, harvest, growth and death rates of honeysuckle, market prices at the time of harvest, buyers' preference and government policy regarding harvesting and government compensation subsidies, any changes in assumptions and factors may affect the fair values less costs to sell of the Group's biological assets dramatically.

Based on the valuation report prepared by IVL (2023: LCH), no change in fair value was noted as at 31 December 2024 and 2023.

No gain on initial recognition has been recognised in profit or loss for both years.

Notes to the Consolidated Financial Statements

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26. TRADE AND BILLS RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables — contracts with customers	70,173	51,127
Less: Allowance for credit losses	(18,846)	(11,661)
Trade receivables, net	51,327	39,466
Bills receivables	6,102	17,763
	57,429	57,229

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

	2024 HK\$'000	2023 HK\$'000
Within 30 days	22,844	13,867
31 days to 90 days	22,327	20,961
91 days to 180 days	6,156	2,168
181 days to 360 days	—	1,869
Over 360 days	—	601
	51,327	39,466

As of 31 December 2024, trade receivables of approximately HK\$2,694,000 (2023: HK\$17,604,000) were past due and net of allowance. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables based on due date, is as follows:

	2024 HK\$'000	2023 HK\$'000
Within 90 days	2,694	14,417
91 days to 180 days	—	1,608
181 days to 360 days	—	1,579
	2,694	17,604

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2024 HK\$'000	2023 HK\$'000
Trade deposits	(a)	5,338	5,550
Deposit and other receivables	(b)	17,752	45,167
Prepayment	(c)	24,016	2,652
		47,106	53,369

	2024 HK\$'000	2023 HK\$'000
Analysed as:		
Non-current	13,900	–
Current	33,206	53,369
	47,106	53,369

(a) At 31 December 2024, trade deposits of approximately HK\$5,338,000 in relation to the Group's toy business (2023: HK\$5,550,000) for purchases toys and gift items.

(b)

	2024 HK\$'000	2023 HK\$'000
Deposit for purchase of plant seeds, fertilisation and cultivation for plantation of Chinese herbs	–	32,551
Due from associate	10,618	10,618
Other taxes recoverable	3,206	1,116
Other receivables	3,928	882
	17,752	45,167

(c) As 31 December 2024, Hubei Jincaotang, a subsidiary of the Group, entered into contracts for periods of between 3 to 5 years with local farming companies/organisations to cultivate for plant which includes sowing, fertilising, irrigation and related labour costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28. BANK BALANCES AND CASH

	2024 HK\$'000	2023 HK\$'000
Cash and cash equivalents consisted of:		
Bank balance	135,708	111,609
Cash in hand	193	258
	135,901	111,867

As at 31 December 2024, the bank balances and cash of the Group denominated in RMB amounted to approximately HK\$55,441,000 (2023: HK\$54,602,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

For the year ended 31 December 2024, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided (2023: Nil).

At 31 December 2024 and 2023, bank balances are free from encumbrance.

29. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	19,692	14,062
31 days to 90 days	2,901	4,776
91 days to 180 days	1,138	2,693
181 days to 360 days	1,841	2
Over 360 days	1,790	582
	27,362	22,115

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

30. ACCRUALS AND OTHER PAYABLES

	Note	2024 HK\$'000	2023 HK\$'000
Other payables	(a)	62,369	64,353
Obligation under share re-purchase arrangement	35(a)	8,000	8,000
Other accruals		17,559	10,484
Accrued salaries		25,996	17,612
Accrued professional fees		5,501	11,942
VAT payables		3,450	2,785
Receipts in advance		586	415
Due to related parties	44(b)(ii)	2,232	1,926
		125,693	117,517

(a) Other payables comprised:

	2024 HK\$'000	2023 HK\$'000
Overpayment from customer	16,000	14,760
Amounts due to former directors (i)	6,045	6,045
Guo Jing Sheng ("Mr. Guo") (ii)	9,538	9,600
Royalty payable	3,958	6,108
Commission payable	5,082	6,093
Others	21,746	21,747
	62,369	64,353

(i) The amounts are interest free and without fixed repayment terms.

(ii) As at 31 December 2024, included in other payables is an amount due to Mr. Guo of approximately HK\$9,538,000 (2023: HK\$9,600,000) in relation outstanding borrowings. Details per note 45(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. LEASE LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Lease liabilities payable:		
Within one year	2,064	723
Within a period of more than one year but not more than two years	1,853	531
Within a period of more than two years but not more than five years	1,357	294
Within a period of more than five years	958	1,021
	6,232	2,569
Less: Amount due for settlement with 12 months shown under current liabilities	(2,064)	(723)
Amount due for settlement after 12 months shown under non-current liabilities	4,168	1,846

The incremental borrowing rates applied to lease liabilities range from 4.60% to 9.47% (2023: from 2.61% to 5.88%).

32. BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Bank loans	7,354	8,907
Other loans	132,032	132,910
	139,386	141,817
Analysed as:		
Secured	101,853	96,270
Unsecured	37,533	45,547
	139,386	141,817
The carrying amounts of the above borrowings are repayable:		
On demand or within one year	139,386	134,245
More than one year but not exceeding two years	–	3,667
More than two years but not exceeding five years	–	–
More than five years	–	3,905
	139,386	141,817
Analysed as:		
Current	139,386	134,245
Non-current	–	7,572
	139,386	141,817

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

32. BORROWINGS (continued)

The average interest rates at 31 December were as follows:

	2024	2023
Bank loans	5%	5%
Other loans	7%	7%

At 31 December 2024, borrowings of approximately HK\$103,382,000 (2023: HK\$113,722,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate the fair values of the Group's borrowings to be approximated to its carrying amounts as at the end of the reporting periods.

Notes:

- (i) The Group's leasehold land and buildings with carrying amount as at 31 December 2024 of approximately HK\$53,200,000 (2023: HK\$63,000,000) and investment properties with carrying amount as at 31 December 2024 of approximately HK\$7,950,000 (2023: HK\$8,550,000) were pledged as security for the Group's other loan with carrying amount as at 31 December 2024 of approximately HK\$90,650,000 respectively (2023: 83,450,000). At 31 December 2024, other loan of HK\$60,000,000 and accrued interest of HK\$30,650,000 has been defaulted (2023: Nil).
- (ii) At 31 December 2024, the Group's borrowing of approximately HK\$3,445,000 (2023: HK\$5,059,000) were secured by personal guarantee by senior management of subsidiaries of the Group.
- (iii) The Group's bank loan and other loan of approximately HK\$3,910,000 and HK\$3,848,000 respectively (2023: HK\$3,974,000 and HK\$3,912,000 respectively) were secured by a floating charge and fixed charge respectively over all assets of a subsidiary of the Group and directors with carrying amount of approximately HK\$6,607,000 (2023: HK\$16,735,000) as at 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. CONVERTIBLE BONDS

The movements of the liability and the derivative components of the CB are set out as below:

	Liability Component HK\$'000	Equity Conversion Component HK\$'000	Derivative Component HK\$'000	Total HK\$'000
At 1 January 2023	91,161	–	52	91,213
Upon issue of convertible bonds	23,987	–	66	24,053
Change in fair value	–	–	(112)	(112)
Effective interest expense	15,457	–	–	15,457
At 31 December 2023 and 1 January 2024	130,605	–	6	130,611
Upon issue of convertible bonds (note (iii))	29,400	15,600	–	45,000
Redemption of convertible bonds (note (i))	(51,000)	–	–	(51,000)
Conversion of convertible bonds (note (ii))	(29,850)	(15,600)	–	(45,450)
Change in fair value	–	–	(1)	(1)
Effective interest expense	18,815	–	–	18,815
At 31 December 2024	97,970	–	5	97,975

	2024 HK\$'000	2023 HK\$'000
Analysed as:		
Current	61,553	–
Non-current	36,422	130,611
	97,975	130,611

(i) Acquisition of a subsidiary

On 11 September 2019, the Group acquired 51% equity interests in Hubei Jincaotang and committed to issue of Convertible Bonds (the "CB") to the vendor in aggregate five tranches of CB. As at 9 June 2023, all five tranches of CB have been issued to the vendor. The aggregate principal amount of the five tranches of the CB that were issued amounted to HK\$170,000,000. The aggregate principal amount of the CB that was outstanding as at 31 December 2024 was HK\$119,000,000 (2023: HK\$170,000,000).

The CB entitle the holders to convert them into ordinary shares of the Company at any time between the date of issuance and the date falling on the third anniversary of the date of issue of each tranche of the CB at a conversion price of HK\$2.00 per share initially. The conversion price was adjusted from HK\$10.00 per share to HK\$50.00 per adjusted share and from HK\$50.00 per share to HK\$100.00 per adjusted share as a result of the share consolidation on 28 April 2023 and 18 January 2024 respectively. If the CB had not been converted, they will be redeemed on maturity date at par. The CB does not bear any coupon interest. The Company has the right to redeem the whole or any part of the principal amount of the CB at any time on any business day prior to the maturity date. The derivative components comprise early redemption option and conversion are measured at fair value with changes in fair value recognised in profit or loss. During the year ended 31 December 2024, none of the CBs issued have been converted (2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. CONVERTIBLE BONDS (continued)

(i) Acquisition of a subsidiary (continued)

1st Tranche Convertible Bonds

During the year ended 31 December 2024, 1st Tranche of the CB issued was redeemed upon maturity (2023: none).

2nd to 5th Tranche Convertible Bonds

Based on the Auditor's Certificates of Hubei Jincatong issued by a PRC auditor for the Second Relevant Period, Third Relevant Period, Fourth Relevant Period and Final Relevant Period issued on 1 July 2022, 4 November 2022, 17 April 2023 and 9 June 2023 respectively, the Actual Profits had fulfilled the profit guarantee conditions for the respective Relevant Periods and the Company has issued the 2nd Tranche Convertible Bonds, 3rd Tranche Convertible Bonds, 4th Tranche Convertible Bonds and 5th Tranche Convertible Bonds in the principal amounts of HK\$34,000,000, HK\$34,000,000, HK\$34,000,000 and HK\$17,000,000 respectively to the Vendor. The CB contain two components, a liability component and a derivative component representing the conversion option and the early redemption option at the option of issuer. The fair value of the liability component and derivative component for these tranches of the Convertible Bonds on initial recognition were determined at the date of issuance of the CB. The effective interest rate of the liability component is 16.92%, 14.57%, 26.45% and 27.34% for the 2nd Tranche Convertible Bonds, 3rd Tranche Convertible Bonds, 4th Tranche Convertible Bonds and 5th Tranche Convertible Bonds.

The fair values of the derivative components of the CB at the initial recognition in 2023 and at end of the reporting period were determined by independent qualified valuer based on the Binomial Pricing model, with significant unobservable inputs and therefore were classified as level 3 of the fair value hierarchy. The key inputs used in the model are as follow:

At 31 December 2024	2nd Tranche Convertible Bonds	3rd Tranche Convertible Bonds	4th Tranche Convertible Bonds	5th Tranche Convertible Bonds
Conversion period start date	1 July 2022	4 November 2022	17 April 2023	9 June 2023
Conversion period end date	1 July 2025	4 November 2025	17 April 2026	9 June 2026
Maturity date	1 July 2025	4 November 2025	17 April 2026	9 June 2026
Time to maturity	0.5 years	0.84 years	1.29 years	1.44 years
Conversion price	HK\$100*	HK\$100*	HK\$100*	HK\$100*
Expected volatility	188%	150%	125%	120%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk-free rate	3.68%	3.53%	3.46%	3.44%
Discount rate	11.85%	14.44%	13.76%	16.56%
Percentage of principal amount to be repaid at redemption	100%	100%	100%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. CONVERTIBLE BONDS (continued)

(i) Acquisition of a subsidiary (continued)

2nd to 5th Tranche Convertible Bonds (continued)

At 31 December 2023	2nd Tranche Convertible Bonds	3rd Tranche Convertible Bonds	4th Tranche Convertible Bonds	5th Tranche Convertible Bonds
Conversion period start date	1 July 2022	4 November 2022	17 April 2023	9 June 2023
Conversion period end date	1 July 2025	4 November 2025	17 April 2026	9 June 2026
Maturity date	1 July 2025	4 November 2025	17 April 2026	9 June 2026
Time to maturity	1.5 years	1.85 years	2.30 years	2.44 years
Conversion price	HK\$50#	HK\$50#	HK\$50#	HK\$50#
Expected volatility	115%	115%	115%	115%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk-free rate	3.51%	3.35%	3.28%	3.15%
Discount rate	11.89%	11.73%	11.66%	11.54%
Percentage of principal amount to be repaid at redemption	100%	100%	100%	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. CONVERTIBLE BONDS *(continued)*

(i) Acquisition of a subsidiary *(continued)*

2nd to 5th Tranche Convertible Bonds *(continued)*

Date of issue	4th Tranche Convertible Bonds	5th Tranche Convertible Bonds
Conversion period start date	17 April 2023	9 June 2023
Conversion period end date	17 April 2026	9 June 2026
Maturity date	17 April 2026	9 June 2026
Time to maturity	3 years	3 years
Conversion price	HK\$10	HK\$50
Expected volatility	125%	126%
Expected dividend yield	Nil	Nil
Risk-free rate	3.20%	3.56%
Discount rate	28.22%	29.24%
Percentage of principal amount to be repaid at redemption	100%	100%

* Price adjustment to HK\$100 following the share consolidation of the Company on 16 January 2024.

Price adjustment to HK\$50 following the share consolidation of the Company on 28 April 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. CONVERTIBLE BONDS (continued)

(ii) 2024 Convertible Bonds

On 6 February 2024, the Company completed the placement of convertible bonds in the aggregate principal amount of HK\$45,000,000 to not less than six placees. The convertible bonds carry interest at 4% per annum and maturity date of fifth anniversary of the date of issue of the convertible bonds ("**2024 Convertible Bonds**"). The 2024 Convertible Bonds can be converted from the issue date of the convertible bonds up to the close of business on the day falling seven (7) business days prior to the maturity date with a conversion price of HK\$0.30 per conversion share. The net proceeds from the Placing are approximately HK\$44,500,000 and will be applied as to (i) approximately HK\$30,000,000 for the construction of traditional Chinese medicinal herbs plantation base in Hubei; (ii) approximately HK\$10,000,000 for the setting up of a new TCM decoction pieces production lines; and (iii) the remaining of the net proceeds in the approximate amount of HK\$4,500,000 for general working capital of the Group.

The CB contain two components, a liability component and conversion option equity component. The fair value of the liability component and equity components on initial recognition was approximately HK\$29,400,000 and HK\$15,600,000 respectively were determined at the date of issuance of the CB. The effective interest rate of the liability component is 20.54%.

The fair values of the derivative components of the CB at initial recognition were determined by independent qualified valuer based on the Binomial Pricing model, with significant unobservable inputs and therefore were classified as level 3 of the fair value hierarchy. The key inputs used in the model are as follow:

At 6 February 2024	
Conversion period start date	6 February 2024
Conversion period end date	7 days prior to 6 February 2027
Maturity date	6 February 2027
Time to maturity	3 years
Conversion price	HK\$0.30
Expected volatility	114%
Expected dividend yield	Nil
Risk-free rate	3.20%
Discount rate	20.54%
Percentage of principal amount to be repaid at redemption	100%

Between 2 May 2024 to 23 May 2024, the bond holders fully converted the 2024 Convertible Bonds into 150,000,000 ordinary shares of the Company. Details per note 35(e).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. PROMISSORY NOTES

	Notes	Total HK\$'000
At 1 January 2023		164,820
Cancellation of promissory notes	(a)	(92,000)
Cancellation of promissory notes	(b)	(60,000)
Settlement by issuance of shares		(7,631)
Repayment of promissory notes		(5,189)
At 31 December 2023 and 2024		–

Notes:

- (a) Promissory notes with an aggregate principal amount of HK\$92,000,000 were issued by the Company on 23 April 2015, as part of the consideration for the acquisition of an associate. The investment cost in this associate was fully impaired and written off in prior years. The promissory notes were unsecured, non-interest bearing and had a maturity period of one year after the date of issue. On 16 December 2015, the promissory notes were replaced by new promissory notes of the same aggregate principal amount of HK\$92,000,000 (the "**Promissory Note**") with maturity date of 31 December 2016.

On 30 December 2016, the Company engaged its legal advisers to issue a legal letter (the "**Letter**") to Unicorn Sino Limited ("**Unicorn**"), the vendor of the associate. As set out in the Letter, the Company had relied on the representations of Ms. Wei, the ultimate sole beneficial owner of Unicorn, in particular, the business plan presented by Unicorn to the Company, when the Company and its subsidiaries entered into the sale and purchase agreement (as amended by the supplemental agreement dated 16 December 2015) and the Shareholders' Agreement (as amended by the supplemental agreement dated 16 December 2015) (collectively, the "**Agreements**") with Unicorn.

It was subsequently discovered that the representations made by Ms. Wei in respect of the business of the associate were false and misleading. Based on the legal advice from a senior counsel, the Agreements were void or voidable by reason of fraudulent misrepresentation and the Promissory Note could be rescinded, and Unicorn could not enforce the Promissory Note against the Company. In the opinion of the Directors, the financial effects of the rescission, would be recognised when the Promissory Note is legally extinguished.

Based on the latest legal opinion from the Company's external legal lawyer, the Promissory Note have been time-barred under the Limitation Ordinance and therefore, the promissory notes of HK\$92,000,000 was expired and derecognised, with the corresponding amount recognised as income during the year ended 31 December 2023.

- (b) Promissory notes with the principal amount of HK\$60,000,000 was in relation to trade deposits for the purchase of wine and juice entered into in 2019 and was cancelled on 20 October 2023.

Notes to the Consolidated Financial Statements

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35. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
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Ordinary shares of HK\$0.1 each (2023: HK\$0.05 each)

Authorised:

At 1 January 2023		198,605,703,079	1,986,056
2023 share consolidation	(b)	(158,884,562,464)	–
At 31 December 2023		39,721,140,615	1,986,056
2024 share consolidation	(c)	(19,860,570,308)	–
At 31 December 2024		19,860,570,307	1,986,056

	Notes	Number of shares	Amount HK\$'000
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Issued and fully paid:

At 1 January 2023		921,487,724	9,214
Issue of shares			
– 2023 share consolidation	(b)	(737,190,180)	–
– loan capitalisation	(d)	9,210,000	461
At 31 December 2023 and 1 January 2024		193,507,544	9,675
Issue of shares			
– 2024 share consolidation	(c)	(96,753,772)	–
– conversion of convertible bonds	(e)	150,000,000	15,000
– placement of shares	(f)	470,000,000	47,000
– loan capitalisation	(g)	72,570,754	7,257
At 31 December 2024		789,324,526	78,932

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35. SHARE CAPITAL (continued)

Notes	Number of shares		Amount	
	2024	2023	2024 HK\$'000	2023 HK\$'000
Classified as:				
Share capital	789,244,526	193,347,544	78,924	9,667
Obligation under share repurchase arrangement (a)	80,000	160,000	8	8
	789,324,526	193,507,544	78,932	9,675

Note:

- (a) On 21 May 2019, the Company issued and allotted 80,000,000 ordinary shares of the Company at HK\$0.10 per share (the "Shares") as settlement sum for HK\$8,000,000 as partial settlement of Mr. Guo's debt of HK\$17,600,000. As there is a buy-back clause for the Shares by the Company contained in the Settlement Deed, the Shares for HK\$8,000,000 are classified as financial liabilities and presented as obligation under share repurchase arrangement instead of equity under share capital as at 30 June 2022 and 31 December 2021.

On 15 May 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the shares from Mr. Guo. As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the shares.

On 27 June 2022, the Company completed the 2022 share consolidation, as a result of the share consolidation, total number of ordinary shares due to Mr. Guo was adjusted from 4,000,000 ordinary shares to 800,000 ordinary shares. Also, total amount of ordinary shares due to the Mr. Guo was adjusted from HK\$40,000 to HK\$8,000 effect by the capital reduction.

On 28 April 2023, the Company completed the share consolidation, refer to note (b), as a result of the 2023 share consolidation, total number of ordinary shares due to Mr. Guo was adjusted from 800,000 ordinary shares to 160,000 ordinary shares to reflect the share consolidation.

On 18 January 2024, the Company completed the share consolidation, refer to note (c), as a result of the 2024 share consolidation, total number of ordinary shares due to Mr. Guo was adjusted from 160,000 ordinary shares to 80,000 ordinary shares to reflect the share consolidation.

- (b) On 28 April 2023, pursuant to the special resolution passed and effective on the same date, the Company implemented the share consolidation on the basis that every five (5) issued and unissued Existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05 each (the "2023 Share Consolidation"). Details of the 2023 Share Consolidation is disclosed in the announcements of the Company dated 6 April 2023 and 28 April 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

35. SHARE CAPITAL (continued)

Note: (continued)

- (c) Pursuant to the special resolution passed on 16 January 2024 and became effective on 18 January 2024, the Company implemented the share consolidation on the basis of every two (2) issued and unissued existing shares of HK\$0.05 each will be consolidated into one (1) consolidated share of HK\$0.1 each (the **"2024 Share Consolidation"**). Details of 2024 Share Consolidation is disclosed in the circular of the Company dated 27 December 2024 and announcement of the Company dated 16 January 2024.
- (d) On 23 June 2023, the Company issued and allotted 9,210,000 ordinary shares at the market price of HK\$0.298 each to a creditor in settlement of the amount due to her of approximately HK\$31,100,000 which was included in promissory notes of approximately HK\$7,631,000 and accrual and other payables of approximately HK\$23,469,000 and a gain on extinguishment of financial liabilities by issue of ordinary shares of approximately HK\$28,355,000 was recognised. Details of the loan capitalisation is disclosed in the announcements of the Company dated 9 June 2023 and 23 June 2023.
- (e) Between 2 May 2024 to 23 May 2024, 150,000,000 ordinary shares was issued and allotted to the convertible bond holders upon conversion of the 2024 Convertible Bonds with a principal amount of HK\$45,000,000.
- (f) On 30 September 2024, the Company completed the placement of 470,000,000 ordinary shares to not less than six placees at the placing price of HK\$0.111 per placing share. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$51,300,000. HK\$51,000,000 of the net proceeds from the placement will be utilised to repay the outstanding amount of the Hubei CB in full and the remaining net proceeds from the placement of HK\$300,000 for general working capital of the Company. Details of the placement is set out in the circular of the Company dated 19 August 2024 and in the announcements of the Company on 16 August 2024, 9 September 2024 and 30 September 2024.
- (g) On 17 May 2024, the Company issued and allotted 19,350,000 ordinary shares at the subscription price of HK\$0.147 per share to a creditor in settlement of the amount due to her of approximately HK\$19,200,000 which was included in other loan and a gain on extinguishment of financial liabilities by issue of ordinary shares of approximately HK\$16,343,000 was recognised. Details of loan capitalisation is disclosed in the announcements of the Company dated 3 May 2024 and 17 May 2024. In addition, on 10 October 2024, the Company issued and allotted 53,220,754 ordinary shares at the market price of HK\$0.78 each to a creditor in settlement of the amount due to her of approximately HK\$7,980,000 which was included in other loan and a loss on extinguishment of financial liabilities by issue of ordinary shares of approximately HK\$33,529,000 was recognised. Details of the loan capitalisation is disclosed in the announcements of the Company dated 9 June 2023 and 23 June 2023. Details are set out in the announcement of the Company dated 2 October 2024 and 10 October 2024 (**"2024 Loan Capitalisation"**). The excess of the fair value of the shares issued to the creditors as at the date of settlement over the carrying amount of the liability owed to the creditor is recognised as loss on extinguishment of the financial liability in the consolidated statement of profit or loss.

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36. ACQUISITION OF A SUBSIDIARY

On 31 May 2024, Kiu Hung (Fujian) Investment Limited, a wholly owned indirect subsidiary of the Group entered into a sales and purchase agreement with Jiang Ping, independent third party for the acquisition 60% of the equity interest in Fujian Laojiu for a consideration of RMB1 (equivalent to approximately HK\$1) as supplemented by the subsequent capital injection of RMB1,000,000 (equivalent to approximately HK\$1,077,000) on 1 June 2024. Fujian Laojiu is principally engaged in the trading of wines in the PRC. The acquisition has been accounted for as acquisition of business using the acquisition method. The acquisition was completed on 5 June 2024.

	HK\$'000
Consideration transferred	–
Capital injection	1,077
Total	1,077

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were:

	Notes	HK\$'000
Property and equipment	15	395
Intangible assets	19	4,093
Trade receivables		9,195
Deposits and prepayment		213
Income tax recoverable		463
Bank balances and cash		1
Trade payables		(12,632)
Other payables and accrued expenses		(490)
Deferred tax liabilities	23	(1,028)
Total identifiable net assets at fair value		210
Non-controlling interests		84
Consideration		1,077
Less: Share of fair value of net assets acquired		(126)
Goodwill		951
Net cash inflow arising on acquisition:		
Cash and cash equivalents acquired		1

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately HK\$9,195,000 at the date of acquisition had gross contractual amounts of approximately HK\$9,195,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

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For the year ended 31 December 2024

36. ACQUISITION OF A SUBSIDIARY *(continued)*

Net cash inflow on acquisition Fujian Laojiu

	HK\$'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	(1)
	(1)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately HK\$4,000 attributable to the additional business generated by Fujian Laojiu. Revenue for the year includes approximately HK\$51,528,000 generated from Fujian Laojiu.

Had the acquisition of Fujian Laojiu been completed on 1 January 2024, total revenue for the year of the Group would have been approximately HK\$417,520,000, and loss for the year would have been approximately HK\$71,786,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Fujian Laojiu been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to continue with the expansion plan of the Group's businesses. In order to fund the daily operation and the expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The directors consider such funding for the future operation and expansion will be available as and when required.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is the Group's net debts (comprising trade payables, accruals and other payables, amount due to an associate, income tax payable, lease liabilities, borrowings and convertible bonds less bank and cash balances) over its total equity. The Group policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2024 was 106.8% (2023: 119.2%).

The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets:		
Financial assets at amortised costs	221,071	219,813
Equity investments at FVTOCI	–	–
Financial liabilities:		
Financial liabilities at amortised costs	390,583	412,226
Lease liabilities	6,232	2,569
Derivative component of convertible bonds	5	6

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: 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.

(i) Market risk

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 (HK\$, RMB and US\$) of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK\$ is pegged with US\$, management is of the view that there is no significant foreign exchange risk to the Group.

At the end of the reporting period, foreign currency denominated financial assets and liabilities, translated into HK\$ closing rates, are as follows:

	2024		2023	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
RMB	260	–	113	–

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Sensitivity analysis

The following table demonstrates the sensitivity as at the end of each of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's post-tax loss (due to changes in the fair value of monetary assets) and the Group's entities.

	Increase/(decrease) in rate of foreign currency %	Impact on post-tax (loss)/profit HK\$'000
At 31 December 2024		
If HK\$ weakens against RMB	5	13
If HK\$ strengthens against RMB	(5)	(13)
At 31 December 2023		
If HK\$ weakens against RMB	5	6
If HK\$ strengthens against RMB	(5)	(6)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, promissory notes and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

No sensitivity analysis of interest rate is presented as change in interest rate has no material effect on pre-tax loss as a result of change in interest rate applied to the Group's variable-rate borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, deposits and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The Group's concentration of credit risk increased compared with last year as 40% (2023: 17%) and 68% (2023: 62%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group also performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. Impairment of approximately HK\$7,525,000 was recognised (2023: HK\$1,190,000) during the year. Details of the quantitative disclosures are set out below in this note.

Bills receivables

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cashes the bills unconditionally when the entity presents these bills.

Bank balances

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

Other receivables

For other receivables approximately of aggregate gross carrying amounts of HK\$63,039,000 (2023: HK\$76,657,000), the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also qualitative and quantitative information that is reasonable and supportive forward-looking information. The management believes that there has been a significant increase in credit risk for other receivables with gross carrying amounts of approximately of HK\$26,048,000 (2023: HK\$26,264,000) as at 31 December 2024 compared to initial recognition and the Group provided impairment based on the internal credit rating and the amounts being credit-impaired. For the year ended 31 December 2024, the Group assessed the ECL for other receivables to be credit-impaired and an impairment loss of approximately HK\$1,454,000 was recognised (2023: HK\$26,264,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2024	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised costs				
Trade receivables	26	Low risks	Lifetime ECL	48,703
		Doubtful	Lifetime ECL	2,702
		Loss	Lifetime ECL — credit-impaired	18,768
Bill receivables	26	Low risks	12-month ECL	6,102
Deposits and other receivables	27	Low risks	12-month ECL	78,006
		Loss	Lifetime ECL — credit-impaired	26,047
Bank balances and cash	28	Low risks	12-month ECL	135,901

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For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

2023	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised costs				
Trade receivables	26	Low risks	Lifetime ECL	14,722
		Doubtful	Lifetime ECL	25,429
		Loss	Lifetime ECL — credit-impaired	10,976
Bill receivables	26	Low risks	12-month ECL	17,763
Deposits and other receivables	27	Low risks	12-month ECL	50,717
		Loss	Lifetime ECL — credit-impaired	25,940
Bank balances and cash	28	Low risks	12-month ECL	111,867

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount	2024		2023	
	Average loss rate	Gross trade receivables HK\$'000	Average loss rate	Gross trade receivables HK\$'000
Current (not past due)	0%	22,851	1%	13,991
Within 90 days past due	0%	22,335	2%	21,148
91 days to 180 days past due	1%	6,219	0%	2,195
181 days to 360 days past due	99%	11,247	3%	2,091
Over 360 days past due	100%	7,521	94%	11,702
		70,173		51,127

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2024, the Group provided approximately HK\$7,525,000 (2023: HK\$1,190,000) impairment allowance for trade receivables, based on the provision matrix.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL HK\$'000
As at 1 January 2023	10,700
Impairment loss recognised	1,190
Exchange difference	(229)
As at 31 December 2023 and 1 January 2024	11,661
Impairment loss recognised	7,525
Exchange difference	(340)
As at 31 December 2024	18,846

Changes in the loss allowance for trade receivables are mainly due to:

	2024 HK\$'000	2023 HK\$'000
Changes in average loss rate/Net remeasurement of loss allowance	7,525	1,190
Exchange difference	(340)	(229)
	7,185	961

The following table shows the movement in lifetime ECL that has been recognised for other receivables under the general approach.

	Lifetime ECL HK\$'000
As at 1 January 2023	–
Impairment loss recognised	26,264
Exchange difference	(324)
As at 31 December 2023 and 1 January 2024	25,940
Impairment loss recognised	1,454
Exchange difference	(759)
As at 31 December 2024	26,635

Changes in the loss allowance for other receivables are mainly due to:

	2024 HK\$'000	2023 HK\$'000
Net remeasurement of loss allowance	1,454	26,264
Exchange difference	(759)	(324)
	695	25,940

For the year ended 31 December 2024

(b) Financial risk management objectives and policies (continued)

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
At 31 December 2024						
Trade payables	27,362	–	–	–	27,362	27,362
Accruals and other payables	125,693	–	–	–	125,693	125,693
Amount due to an associate	167	–	–	–	167	167
Lease liabilities	2,231	1,914	1,403	1,350	6,898	6,232
Borrowings	148,708	–	–	–	148,708	139,386
Convertible bonds						
— liability component	68,000	51,000	–	–	119,000	97,970
	372,161	52,914	1,403	1,350	427,828	396,810

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For the year ended 31 December 2024

39. FAIR VALUE MEASUREMENTS

Some of the Group's financial assets and financial liabilities, property, plant and equipment and investment properties are measured at fair value at the end of the reporting period.

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

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2024				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	—	—	54,700	54,700
Investment properties				
— Hong Kong	—	—	3,300	3,300
— The PRC	—	—	7,951	7,951
	—	—	11,251	11,251
Biological assets	—	—	7,615	7,615
Convertible bonds — derivative component	—	—	5	5
At 31 December 2023				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	—	—	64,400	64,400
Investment properties				
— Hong Kong	—	—	3,900	3,900
— The PRC	—	—	8,550	8,550
	—	—	12,450	12,450
Biological assets	—	—	5,051	5,051
Convertible bonds — derivative component	—	—	6	6

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FAIR VALUE MEASUREMENTS *(continued)*

(b) Reconciliation of assets and liabilities measured at fair value based on level 3:

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Contingent consideration payables HK\$'000	Biological assets HK\$'000	Convertible bonds – derivative component HK\$'000
At 1 January 2023	13,686	63,200	29,058	5,198	52
Total gains or losses recognised					
in profit or loss	(989)	–	(5,005)	–	(112)
in other comprehensive income	–	8,258	–	–	–
Issued	–	–	–	–	66
Transfer to CB	–	–	(24,053)	–	–
Adjustment on revaluation	–	(7,058)	–	–	–
Exchange differences	(247)	–	–	(147)	–
At 31 December 2023 and 1 January 2024	12,450	64,400	–	5,051	6
Total gains or losses recognised					
in profit or loss	(925)	–	–	–	(1)
in other comprehensive income	–	(2,985)	–	–	–
Issued	–	–	–	–	–
Transfer to CB	–	–	–	–	–
Addition	–	–	–	2,789	–
Adjustment on revaluation	–	(6,715)	–	–	–
Exchange differences	(274)	–	–	(225)	–
At 31 December 2024	11,251	54,700	–	7,615	5

The total gains or losses recognised in other comprehensive income are presented in surplus on revaluation of properties in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets and liabilities held at end of reporting period are presented in other gains/(loss) in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

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39. FAIR VALUE MEASUREMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

At 31 December 2024

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties — Hong Kong	Direct comparison approach	Market price of car park	HK\$1,400,000 to HK\$1,900,000 per unit	Increase	3,300
Investment properties — the PRC	Direct comparison approach	Market price of office	RMB10,011 (equivalent to HK\$11,319) per square meter)	Increase	7,951
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of commercial units	HK\$1,500,000 per unit	Increase	1,500
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of commercial units	HK\$3,700 per square feet	Increase	53,200
Biological assets	Direct comparison approach	Market price comparison	RMB25 to RMB100 per plant	Increase (Note 25)	7,615
Convertible bonds — derivative component	Binomial option pricing model	Expected volatility of share price	120% to 189%	Increase (Note a)	5

- (a) If the expected volatility of share price was 5% higher/lower and the other variables were held constant, the derivative component of convertible bonds would increase/decrease by HK3,000, respectively.

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For the year ended 31 December 2024

39. FAIR VALUE MEASUREMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements *(continued)*

At 31 December 2023

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties — Hong Kong	Direct comparison approach	Market price of car park	HK\$1,400,000 to HK\$2,300,000 per unit	Increase	3,900
Investment properties — the PRC	Direct comparison approach	Market price of office	RMB11,000 (equivalent to HK\$12,058) per square meter)	Increase	8,550
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of commercial units	HK\$1,400,000 per unit	Increase	1,400
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of commercial units	HK\$4,400 per square feet	Increase	63,000
Biological assets	Direct comparison approach	Market price comparison	RMB25 to RMB100 per plant	Increase (Note 25)	5,051
Convertible bonds — derivative component	Binomial option pricing model	Expected volatility of share price	11.5%	Increase (Note a)	6

Notes:

- (a) If the expected volatility of share price was 5% higher/lower and the other variables were held constant, the derivative component of convertible bonds would increase/decrease by HK\$5,000, respectively.

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40. SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the “**Schemes**”) for the purpose of providing incentives and rewards to eligible participants who are invited at directors’ discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

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

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The 2013 Share Option Scheme expired on 31 May 2023.

Notes to the Consolidated Financial Statements

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41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investments in subsidiaries	197,785	197,785
Amount due from subsidiaries	225,149	227,528
	422,934	425,313
Current assets		
Prepayments, deposits and other receivables	49,694	240
Bank balances and cash	17	11
	49,711	251
Current liabilities		
Accruals and other payables	55,516	60,088
Amount due to subsidiaries	49,136	41,066
Borrowings	23,327	30,858
Convertible bonds	61,553	–
	189,532	132,012
Net current liabilities	(139,821)	(131,761)
Total assets less current liabilities	283,113	293,552
Non-current liabilities		
Convertible bonds	36,422	130,611
Net assets	246,691	162,941
Equity		
Share capital	78,924	9,667
Reserves	167,767	153,274
Total equity	246,691	162,941

Zhang Qijun
Director

Liu Mingqing
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible Bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	1,782,784	125,161	–	(1,646,547)	261,398
Total comprehensive loss for the year	–	–	–	(110,408)	(110,408)
Loan capitalisation (note 35e))	2,284	–	–	–	2,284
At 31 December 2023 and 1 January 2024	1,785,068	125,161	–	(1,756,955)	153,274
Total comprehensive loss for the year	–	–	–	(57,293)	(57,293)
Issue of convertible bonds (note 33)	–	–	15,600	–	15,600
Conversion of convertible bonds (note 35(e))	30,000	–	(15,600)	–	14,400
Placement of shares (note 35(f))	4,687	–	–	–	4,687
Loan capitalisation (note 35(g))	37,099	–	–	–	37,099
At 31 December 2024	1,856,854	125,161	–	(1,814,248)	167,767

42. CAPITAL COMMITMENT

The Group did not have any significant capital commitment at 31 December 2024 and 2023.

43. CONTINGENT LIABILITIES

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

44. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2024 HK\$'000	2023 HK\$'000
Product development, sale and marketing services fee paid to Miracles for Fun USA, Inc. (note)	5,433	5,429

Note:

The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2023: 49%) equity interest in the Company's subsidiary, Better Sourcing Worldwide Limited.

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44. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balance with related parties

(i) Included in prepayments, deposits and other receivables

	2024 HK\$'000	2023 HK\$'000
Amount due from Miracles for Fun USA, Inc.	139	159

(ii) Included in deposit and other receivables

	2024 HK\$'000	2023 HK\$'000
Amount due from Multijoy	10,618	10,618

(iii) Included in accruals and other payables

	2024 HK\$'000	2023 HK\$'000
Amounts due to former directors/directors (Note)	6,123	4,292
Amounts due to Miracles for Fun USA, Inc.	610	455
Amount due to a relative of a director, Li Pik Ha (Note)	366	366
Amount due to a major shareholder's of a subsidiary	462	–
Amount due to Ou Zhu, shareholder of the Company	2,236	–
	9,797	5,113

(iv) Included in borrowings

	2024 HK\$'000	2023 HK\$'000
Amount due to Ou Zhu, shareholder of the Company	10,594	–

Notes:

The amounts due are unsecured, interest free and repayable on demand.

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44. RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	2024 HK\$'000	2023 HK\$'000
Salaries, allowances and benefits in kind	17,677	15,740
Retirement benefits scheme contributions	948	1,013
	18,625	16,753

(d) Guarantee provided by related parties

As at 31 December 2024, the Group's borrowings of approximately HK\$7,354,000 (2023: HK\$8,907,000) were secured by a personal guarantee by directors or senior management of the Company's subsidiaries.

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45. NOTES TO THE CONSOLIDATION STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities HK\$'000	Promissory notes HK\$'000	Borrowings HK\$'000	Convertible bonds HK\$'000	Total HK\$'000
At 1 January 2023	3,940	164,820	109,743	91,213	369,716
Additions	–	–	21,883	–	21,883
Change in cash flows	(1,491)	–	(9,556)	–	(11,047)
Non-cash changes					
– Finance leases charges (included in interest expense)	148	–	–	–	148
– Exchange difference	(28)	–	559	–	531
– Fair value change	–	–	–	(112)	(112)
– Transfer from other payables	–	–	19,188	–	19,188
– Transfer from contingent consideration payables	–	–	–	24,053	24,053
Settlement of promissory notes					
– by cash	–	(5,189)	–	–	(5,189)
– issue of new shares	–	(7,631)	–	–	(7,631)
– by cancellation	–	(152,000)	–	–	(152,000)
Imputed interest	–	–	–	15,457	15,457
At 31 December 2023 and 1 January 2024	2,569	–	141,817	130,611	274,997
Additions	4,997	–	11,235	–	16,232
Change in cash flows	(1,377)	–	(22,920)	(51,000)	(75,297)
Non-cash changes					
– Finance leases charges (included in interest expense)	167	–	9,918	–	10,085
– Exchange difference	(124)	–	(664)	–	(788)
– Fair value change	–	–	–	(1)	(1)
– Transfer to other payables	–	–	–	(450)	(450)
Imputed interest	–	–	–	18,815	18,815
At 31 December 2024	6,232	–	139,386	97,975	243,593

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

45. NOTES TO THE CONSOLIDATION STATEMENT OF CASH FLOWS *(continued)*

(b) Major non-cash transactions

(i) Convertible bonds

As details in note 33, total amount of contingent consideration payables were transferred to CB approximately HK\$24,053,000 were issued to the vender subject to the profit guarantee arrangement during the year ended 31 December 2023.

(ii) Cancellation of promissory notes

Total amount of trade deposits and promissory notes of approximately HK\$60,000,000 were net-off during the year ended 31 December 2023 (2024: Nil).

46. LITIGATIONS

(a) Guo Jingsheng

On 8 June 2016 and 19 July 2016, the Company and a director of the Company received from Mr. Guo a writ of summons and an indorsement of claim issued by the High Court, respectively, against the Company as borrower and the director Yu Wan Kong, Dennis of the Company as guarantor for the outstanding amount of borrowing including interests of approximately HK\$13,921,000.

A deed of settlement (the “**Settlement Deed**”) was made between the Company, the director of the Company and Mr. Guo on 29 April 2019. Pursuant to the Settlement Deed, the Company would issue 80,000,000 ordinary shares of the Company at HK\$0.10 per share (the “**Shares**”) for the settlement of HK\$8,000,000 as partial settlement of Mr. Guo’s debt of approximately HK\$17,600,000 as at 29 April 2019. The Settlement Deed contains a buy-back clause for the Shares by the Company should the quoted market price of the Company’s shares fail to reach at least HK\$0.10 per share within one year from the date of issue of the Shares. The Company issued and allotted the Shares to Mr. Guo on 21 May 2019. On 15 May 2020 and 8 June 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the Shares from Mr. Guo.

As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the Shares and the remaining outstanding amount of borrowings of approximately HK\$9,538,000 (2023: HK\$9,600,000), which is included in accruals and other payables as at 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

46. LITIGATIONS *(continued)*

(b) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("**Everbright Centre**") (formerly known as Wing Siu Company Limited) as landlord and Super Dragon Management Limited ("**Super Dragon**"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, for a lease of premises for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Everbright Centre a writ of summons issued by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the premises; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK\$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. Based on the notice from lawyer on 13 August 2024, an amount of approximately HK\$149,000 as settlement of the outstanding rentals and interest (2023: part of the amount HK\$250,000). An over provision in the amount of approximately HK\$1,172,000 was recognised for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Company name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest		Principal activities
			2024	2023	
Super Dragon	BVI, limited liability company	1 ordinary share of US\$1 each	100%	100%	Provision of management service, Hong Kong
Better Sourcing Worldwide Limited	Hong Kong, limited liability company	HK\$100	51%	51%	Trading of gifts and toys, Hong Kong
Kiu Hung Industries Limited	Hong Kong, limited liability company	HK\$1,000	100%	100%	Trading of gifts and toys, Hong Kong
Kiu Hung Toys Company Limited	Hong Kong, limited liability company	HK\$2 ordinary share and HK\$10,000 non-voting deferred share	100%	100%	Investment holding, Hong Kong
Toland International Limited	Hong Kong, limited liability company	HK\$4,200,000	70%	70%	Trading of flags and garden products, Hong Kong
福建奇嘉禮品玩具有限公司 (Fujian Kcare Gifttoys Co., Ltd.*)	The PRC, limited liability company	RMB10,000,000	100%	100%	Manufacture and trading of gifts and toys, the PRC
福建綠森農業科技有限公司 (Fujian Lusen Agricultural Science and Technology Co., Ltd*)	The PRC, limited liability company	RMB50,000,000	100%	100%	Forestry products, wholesale, beverage retail, the PRC
Marketing Resource Group Inc. ("MRG")	The USA, limited liability company	350,000 ordinary shares of US\$1 each	51%	51%	Trading of flags and garden products, the USA
Hubei Jincaotang	The PRC, limited liability company	RMB30,000,000	51%	51%	Development, processing and manufacturing of Chinese herb, the PRC
僑雄(福建)投資有限公司 (Kiu Hung (Fujian) Investment Limited*)	The PRC, limited liability company	RMB100,000,000	100%	n/a	Trading of wines, the PRC
福建老酒投資集團有限公司 (Fujian Laojiu*)	The PRC, limited liability company	RMB46,000,000	60%	n/a	Trading of wines, the PRC
Sino Lucky Prosper Company Limited	Hong Kong, limited liability company	HK\$100	100%	n/a	Provision of management service, Hong Kong

* For identification purpose

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. INVESTMENTS IN SUBSIDIARIES *(continued)*

The table below shows details of a non-wholly-owned subsidiary of the Group which has material non-controlling interest:

Name of subsidiary	Place of establishment/ registration and principal place of business	Proportion of ownership interests held by the non- controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	2024	2023	2024	2023
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hubei Jincaotang	PRC	49%	49%	19,818	24,590	120,476	104,252
Fujian Laojiu	PRC	40%	n/a	(50)	n/a	33	n/a

Summarised financial information in respect of Hubei Jincaotang that has material non-controlling interests is set out below. The summarised financial information below, prepared in accordance with the significant accounting policies of the Group, represents amounts before intragroup eliminations.

Hubei Jincaotang

Financial information of statement of profit or loss and other comprehensive income for the years ended 31 December 2024 and 2023

	2024 HK\$'000	2023 HK\$'000
Revenue	95,286	121,546
Expenses and taxation	(54,842)	(71,363)
Profit for the year	40,444	50,183
Profit for the year attributable to:		
Owners of the Company	20,626	25,593
Non-controlling interests of the Group	19,818	24,590
	40,444	50,183
Other comprehensive loss attributable to owners of the Company	(3,741)	(2,900)
Other comprehensive loss attributable to non-controlling interests	(3,594)	(2,787)
Other comprehensive loss for the year	(7,335)	(5,687)
Total comprehensive income attributable to owners of the Company	16,885	22,693
Total comprehensive income attributable to non-controlling interests	16,224	21,803
Total comprehensive income for the year	33,109	44,496

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

47. INVESTMENTS IN SUBSIDIARIES *(continued)*

Hubei Jincaotang *(continued)*

Financial information of statement of financial position as at 31 December 2024 and 2023

	2024 HK\$'000	2023 HK\$'000
Non-current assets	65,492	76,014
Current assets	187,010	149,527
Non-current liabilities	(2,387)	(703)
Current liabilities	(3,506)	(11,338)
Net assets	246,609	213,500
Equity attributable to:		
Owners of the Company	126,133	109,248
Non-controlling interests of the Group	120,476	104,252
Total equity	246,609	213,500

Financial information of statement of cash flows

	2024 HK\$'000	2023 HK\$'000
Net cash inflow from operating activities	32,317	36,405
Net cash outflow from investing activities	(3,755)	(40,230)
Net cash inflow from financing activities	(6,180)	3,092
Net cash (outflow)/inflow	22,382	(733)

48. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 31 March 2025.

Five Years Financial Summary

The following is a summary of the published consolidated results and statement of assets and liabilities of the Group for the last five years:

RESULTS

	2024 HK\$'000	Year ended 31 December			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	386,662	383,923	420,904	323,718	203,351
(Loss)/profit before income tax	(65,844)	69,074	(29,393)	(219,463)	(69,075)
Income tax expenses	(6,981)	(3,373)	(9,108)	(1,033)	(1,027)
(Loss)/profit for the year	(72,825)	65,701	(38,501)	(220,496)	(70,102)
Attributable to:					
Owners of the Company	(84,626)	37,213	(59,521)	(226,754)	(71,776)
Non-controlling interests	11,801	28,488	21,020	6,258	1,674
	(72,825)	65,701	(38,501)	(220,496)	(70,102)

ASSETS AND LIABILITIES

	2024 HK\$'000	As at 31 December			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	796,611	770,281	879,939	956,439	852,889
Total liabilities	(412,962)	(430,305)	(594,931)	(744,245)	(558,898)
Net assets	383,649	339,976	285,008	212,194	293,991
Equity attributable to owners of the Company	249,157	214,208	185,734	135,127	286,908
Non-controlling interests	134,492	125,768	99,274	77,067	7,083
Total equity	383,649	339,976	285,008	212,194	293,991