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

(Incorporated in Bermuda with limited liability)

Stock Code: 1064

ANNUAL REPORT 2025

Precious Stone Engraving in Old Chinese Characters "Perseverance is Road to Triumph"
Tribute to the 90th Anniversary of the Victory of the Red Army's Long March

巴林石篆刻印章「堅持就是勝利」
賀紅軍長征勝利九十週年

Contents

This annual report, except for the section of "Prospect" in the "Management Analysis and Discussion" chapter which is prepared in Chinese, is prepared in English. For easy reference, the names of Chinese laws, regulations, governmental institutions and enterprises as well purpose, abstracts of court's written judgements in Chinese are also included in the English text. If there is inconsistency between the original text and its translation, the original text shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Director
Ho Kam Hung

Non-Executive Director
Young Kwok Sui

Independent Non-Executive Directors
Tam Kong, Lawrence
Wong Kui Fai
Wong Miu Ting, Ivy

COMPANY SECRETARY
Lee Tao Wai *CPA, BBA, LLM, MIM*

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Clarendon House
2 Church Street
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Hong Kong

PRINCIPAL OFFICE IN CHINA
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Chongqing

AUDITOR
Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance

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

As to Bermuda Law
Conyers Dill & Pearman
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8 Connaught Place
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Hong Kong

PROPERTY VALUERS
Savills Valuation and Professional Services (China) Limited
12th Floor Cityplaza One
Taikoo Shing
1111 King's Road
Hong Kong

Vincorn Consulting and Appraisal Limited
Units 1602-4, 16th Floor
FWD Financial Centre
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Central
Hong Kong

PRINCIPAL BANKERS
China Minsheng Bank
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Global Corporate Services (Bermuda) Limited
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HM EX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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COMPANY WEBSITE
https://www.irasia.com/listco/hk/zhonghua

LISTING AND STOCK CODE
The Main Board of The Stock Exchange of Hong Kong Limited: 1064

Management Discussion and Analysis

FINANCIAL REVIEW

Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of HK$31,293,000 (2024: HK$28,520,000) for the year ended 31 December 2025. Net loss attributable to ordinary equity holders of the Company for the year was HK$14,958,000 (2024: net loss attributable to ordinary equity holders of the Company of HK$46,133,000). There was no material change in the Group's turnover during the year.

Adjusted EBITDA

The Adjusted EBITDA of the Group for the year ended 31 December 2025 was profit of HK$4,590,000 (2024: HK$1,612,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes in fair value of investment properties, loss on derecognition of a then subsidiary and changes in fair value of equity interest in an entity at fair value through profit or loss. EBITDA is a commonly used alternate measure of profitability to net income. By excluding depreciation and amortisation as well as taxes and debt payment costs, EBITDA attempts to represent the cash profit generated by the Group's operations. On this ground, the Group also excludes additional non-cash items (namely (i) changes in fair value of investment properties; (ii) loss on derecognition of a then subsidiary; and (iii) changes in fair value of equity interest in an entity at fair value through profit or loss) that significantly affect the Company's net income that are non-cash in nature to achieve this goal when reviewing the Company's performance.

Profit/(loss) attributable to equity holders

The Group's profit before tax and profit after tax for the year ended 31 December 2025 were HK$355,000 (2024: loss before tax HK$71,354,000) and HK$12,983,000 (2024: loss after tax of HK$78,668,000), respectively.

The turnaround from loss to profit for the year is mainly attributable to the fair value gain of equity interest in an entity of HK$31,096,000 this year (2024: loss of HK$55,779,000), which was mainly derived from appreciation of Renminbi during the retranslation process took place this year. Such fair value gain was non-cash transaction and unrealised in the Group's consolidated income statement.

After taking into account the non-controlling interests of the Group, the Group recorded a loss attributable to equity holders of the Company of HK$14,958,000 this year as compared to a loss of HK$46,133,000 last year.

Liquidity and Financial Resources

During the year ended 31 December 2025, the Group's operations were financed mainly by cash flows generated from business operations. The Group's net cash flows from operating activities during the year were HK$19,537,000 (2024: net cash flows used in operating activities of HK$15,967,000). The net cash flows from operating activities changes from net outflows of HK$15,967,000 to net inflows of HK$19,537,000 was mainly due to the timing differences in collection of trade receivables.

As at 31 December 2025, the Group had cash and bank balances of HK$59,405,000 (2024: HK$63,573,000) which were denominated in Renminbi and Hong Kong dollars.

The Group's gearing ratio was 0.09 as at 31 December 2025 (2024: 0.10), calculated based on an amount due to a director of HK$130,639,000 (2024: HK$140,882,000) over total assets of HK$1,402,541,000 (2024: HK$1,403,511,000). The Group maintained a relatively low gearing ratio in the past years. The Group's financial resources are able to meet its capital expenditure and working capital requirements for coming twelve months from the date of this annual report.

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

Assets

As at 31 December 2025, the Group's net current assets, net assets and total assets amounted to HK$2,303,000 (2024: HK$20,289,000), HK$998,452,000 (2024: HK$978,126,000) and HK$1,402,541,000 (2024: HK$1,403,511,000), respectively.

Exchange Rate Risk

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

Significant investments

As at 31 December 2025, the Group held equity interest in an entity at fair value through profit or loss of HK$1,005,789,000 (2024: HK$974,673,000), representing approximately 72% (2024: 69%) of the total assets of the Group. This investment is held by Zheng Da Real Estate Development Company Limited ("HK Zheng Da"), a 25% owned subsidiary of the Group and directly holds entire equity interest in 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da"), details of which are disclosed in the section headed "Business Review" below. Gain on fair value changes in equity interest in an entity of HK$31,096,000 was recognised in the consolidated income statement for the year ended 31 December 2025 (2024: loss of HK$55,779,000). Save as disclosed above, the Group had no other significant investment of carrying value of 5% or more of the total assets as at 31 December 2025 (2024: Nil).

Charges on Assets

As at 31 December 2025, none of the Group's assets were pledged (2024: Nil).

Contingent Liability

As at 31 December 2025, there was no material contingent liability of the Group (2024: Nil).

MANAGEMENT'S RESPONSE TO THE QUALIFIED AUDIT OPINION

It is noted that the Company's auditor issued a qualified audit opinion on the Company's consolidated financial statements for the year ended 31 December 2025 and the basis for qualified opinion is set out in the Independent Auditor's Report below.

In late June 2023, the Group acknowledged that the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") issued the Rescission Order (撤銷駁回裁定) (as defined and detailed below) on 15 May 2023 to the effect that the Second Liquidation Order (as defined and detailed below) was granted by the Guangdong Province Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") *(without prejudice)* on 7 August 2023.

Accordingly, the Directors considered that the Group lost the control over GZ Zheng Da (a former subsidiary) under HKFRS 10 *Consolidated Financial Statements* with effect from 15 May 2023 and GZ Zheng Da was derecognised as a then subsidiary during the year ended 31 December 2023 while the equity interest in GZ Zheng Da was then classified as financial asset at fair value through profit or loss and was included as "equity interest in an entity at fair value through profit or loss" on the consolidated statement of financial position.

The Second Liquidation Order was stemmed from a compulsory liquidation petition pleaded by 廣州市越秀房地產開發經營有限公司 ("Yuefang PE (越房私企)"), which was neither a registered shareholder nor a creditor of GZ Zheng Da, in January 2009 while GZ Zheng Da, the liquidation appellee, was not duly summoned by the court at that time.

Taking into account the facts and competent legal advice, together with legal grounds substantiated, the management of the Group (the "Management") contends that HK Zheng Da, a former non-wholly-owned subsidiary which holds 100% equity interest in GZ Zheng Da, shall have 100% entitlement to the residual assets of GZ Zheng Da under liquidation *(if it takes place and without prejudice)* pursuant to the terms of the joint venture agreement of GZ Zheng Da (as amended) and the relevant liquidation laws and regulations. However, the Group's legal advisers opine that there remains potential legal risk that Yuefang PE, the liquidation petitioner, may claim for part of the residual assets of GZ Zheng Da based on its own presumptive evidence (such as its claim of capital or assets contribution made (if any) in the past). In any event, the Management remains optimistic in obtaining a favourable judgement if and when such potential disputes in specific asset allocation in accordance with the joint venture partners' respective equity interests are brought to legal proceedings. Such legal proceedings never took place since 2009 and are not yet initiated to-date, and the basis of such claim, outcome and impact to the Group, if any, remain uncertainty to-date.

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

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

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

FUND RAISING ACTIVITIES

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

The net proceeds raised from the New Issue applied up to 31 December 2025 are as follows:

Intended use of the net proceeds as stated in the New Issue Announcement			Proceeds utilised as at 31 December 2025	Proceeds unutilised as at 31 December 2025	
Category	**Net amount** *(HK$ in million)*	**Percentage**	**Net amount** *(HK$ in million)*	**Remaining amount** *(HK$ in million)*	**Expected schedule of use**
Redevelopment costs of redevelopment project in Guangzhou, China	12.0	74.5%	–	12.0	On or before 31 December 2026
General working capital	4.1	25.5%	4.1	–	
Total	**16.1**	**100.0%**	**4.1**	**12.0**	

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

The Group held the unutilised net proceeds in short-term deposits with banks as at 31 December 2025. Save as disclosed above, there was no unutilised proceed brought forward from any issue of equity securities made in previous years.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2025.

BUSINESS REVIEW

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

Property Investment

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

For the year ended 31 December 2025, Gang Yu Square provided a steady cash flow and substantiated the working capital requirements of the Group. As a result, the Group recorded an adjusted EBITDA of HK$4.6 million for 2025. Given the prime location of the investment property in the central business district (CBD) of Chongqing, the Directors will strive to enhancing the property's competitive advantages and is confident that it will continue to provide a relatively steady revenue to the Group in the foreseeable future.

Property Development

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

As to-date, except for one block of building remained not yet vacanted and a few shops next to the premise continued to operate business as usual, the vacant site was leased to a third party for licensed carpark operation.

Pending to the evacuation of the last block of a 7-storey building by the legal enforcement order (強制執行裁定) already granted by the court, the re-development project is intended to be developed into a 22-storey versatile grade A commercial building complex with twin towers and 3-level of basement for wholesale and exhibition hall facilities, office and service apartment uses with ancillary facilities such as carpark and loading/unloading bays with total gross floor area of about 204,000 square metres.

According to the latest construction schedule (assuming the compulsory liquidation against GZ Zheng Da is rescinded and construction commences in late 2027), it is expected that the development project will take about four years and be completed by two phases, the first of which will be completed in late 2029 and the second stage will be completed in late 2031. Subject to the grant of inspection and safety permits by the relevant regulatory authorities, it is expected that the new commercial complex will commence business and generate rental revenue to the Group at its earliest in early 2030.

Properties Held for Sale

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

New Business Venture

The Group has been continuously exploring investment and business expansion opportunities related to "novel and quality productivity" ("新質生產力"). In late 2025, the Group established a new division within its construction engineering department to provide one-stop integrated photovoltaic power collection, electrical storage, and charging solutions for public and private sector clients in the Greater Bay Area. The business venture remains at its pilot stage and focuses on pilot operation of charging station specialising for heavy load trucks. It is expected the new venture will take one to two years for generating contributions to the Group.

Current Status of GZ Zheng Da

As to-date, the Enterprise Credit Information Publicity Report (企業信用信息公示報告), which is the public official corporate record, on GZ Zheng Da indicates:

(1) registration status (登記狀態): normal (operation normal, business normal, registration normal) (存續（在營、開業、在冊）) *(Note 1)*;

(2) liquidation information (清算信息): the liquidator Guangdong Guoding Law Firm (清算組廣東國鼎律師事務所) (not Guangdong Jinzhen Law Firm (廣東金圳律師事務所)) *(Note 2)*;

(3) registered (promoters) shareholders (登記（發起人）股東): HK Zheng Da (100% equity interests) and 廣州市越秀房地產開發經營公司 ("Yuefang SoE (越房國企)") (0% equity interests) (not Yuefang PE) *(Note 3)*; and

(4) authorised representative (法定代表人): Ho Kam Hung *(Note 4)*.

Notes:

(1) The latest registration status of GZ Zheng Da affirms that its operation remains undissolved to-date.

(2) Guangdong Guoding Law Firm, the First Liquidator (as defined and detailed below) should discharge its duties as the liquidator of GZ Zheng Da as required by law once the Liquidation Dismissal Order (as defined and detailed below) was granted by the court in May 2021 but its registration remains on record to-date. Reason unknown. Guangdong Jinzhen Law Firm, the Second Liquidator (as defined and detailed below) appointed by the court in August 2023, remains not get registered its role at the Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局) (the "Market Regulation Bureau") as required by law to-date. Reason unknown.

(3) Yuefang PE claims that it has taken up Yuefang SoE's interest in GZ Zheng Da since 2006 but remains not yet processed (辦理備案) the filing of change of name of registered shareholder of GZ Zheng Da from Yuefang SoE to Yuefang PE at the Market Regulation Bureau as required by law to-date. Reason to be detailed below.

(4) Ho Kam Hung, who is an executive Director, has been acting as the authorised representative of GZ Zheng Da since its establishment in 1993.

Notwithstanding the Second Liquidation Order remains in force *(without prejudice)*, GZ Zheng Da's operation is as usual and the re-development site is leased to a third party for licensed carpark operation.

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

(i) there was no change in the Group's effective equity interest (i.e., 25%) in HK Zheng Da (which in turn holds 100% equity interest in GZ Zheng Da) (a) before and after the derecognition of GZ Zheng Da from the Company's consolidated financial statements with effect on 15 May 2023; (b) as at 31 December 2025; and (c) as to-date;

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

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

LIQUIDATION PETITION AGAINST GZ ZHENG DA

Background of GZ Zheng Da

In December 1993 and with the approval granted by the Guangzhou Municipal Foreign Economic and Trade Commission (廣州市對外經濟貿易委員會) (the "Foreign Economic Commission"), GZ Zheng Da was established as a Sino-Foreign Contractual Joint Venture (中外合作經營企業) in Guangzhou pursuant to then Sino-Foreign Contractual Joint Venture Enterprise Law (中外合作經營企業法) (the "Sino-Foreign Contractual JV Law"). Accordingly, GZ Zheng Da was administered as an enterprise corporate (企業法人) under then Rules of Administration of Enterprise Corporate Registration (企業法人登記管理條例) (the "Enterprise Corporate Registration Rules"), which its administrative rules are different from the Rules of Administration of Company Registration (公司登記管理條例) (the "Company Registration Rules").

Pursuant to the relevant joint venture agreement of GZ Zheng Da executed in 1993 (as amended in 1994 and 1997), the Chinese and foreign partners of GZ Zheng Da were Yuefang SoE and Shun Fat Group Limited ("Shun Fat") and the scope of business (經營範圍) was re-development of a designated zone situated at Yuexiu District, Guangzhou. Moreover, the investment capital and registered capital of GZ Zheng Da were HK$450 million and HK$150 million respectively, all payable by Shun Fat, the foreign partner, and Yuefang SoE, the Chinese partner, was not required to contribute any capital, asset or shareholder's loan to GZ Zheng Da but undertook to surrender all its interests, benefits and obligations in GZ Zheng Da except for receiving a management fee of RMB10 million and a conditional bonus of RMB38 million upon pre-sale of the re-development project of GZ Zheng Da. That is, Yuefang SoE held only contractual interest but not equity interest in GZ Zheng Da by law.

In April 1997, as part of the corporate restructuring for IPO purpose and with the approval granted by the Foreign Economic Commission, the foreign partner of GZ Zheng Da was changed from Shun Fat to HK Zheng Da while their respective shareholders remained unchanged. Pursuant to the related supplemental agreement, HK Zheng Da undertook to take up the entire interests, liabilities and obligations of Shun Fat vested in GZ Zheng Da while Yuefang SoE's contractual interest in GZ Zheng Da remained unchanged.

In April 2006, the State Administration for Industry and Commerce (國家工商總局) and the Ministry of Commerce (商務部) issued a directive to the effect that GZ Zheng Da was required to be administrated under the Company Law (公司法) and the Company Registration Rules in conjunction with the Sino-Foreign Contractual JV Law but the Enterprise Corporate Registration Rules would no longer be applicable. Hence, pursuant to the Company Registration Rules, the joint venture partners of corporate enterprises registered under the Enterprise Corporate Registration Rules were required to be registered as equity shareholders of limited companies but subject to proof of capital contribution. If in case the joint venture partner was unable to provide evidence of capital contribution, it would be registered as registered shareholder with 0% equity interest which was *de jure* a promoter but not an equity shareholder. As such, the registered shareholders of GZ Zheng Da were HK Zheng Da and Yuefang SoE with 100% and 0% interest respectively as per the official corporate record maintained at the Market Regulation Bureau. That is, Yuefang SoE was regarded as a promoter but not an equity shareholder of GZ Zheng Da by law.

Background of Yuefang SoE

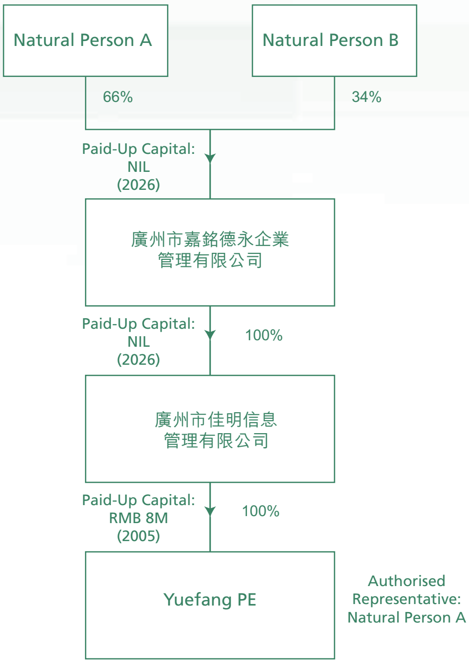
In October 2006 and with the approval granted by the State-Owned Asset Supervisory and Administration of the Yuexiu Regional Government (越秀區政府國有資產監督管理局), Yuefang SoE underwent a corporate restructuring to the effect that the entire interest of Yuefang SoE was sold to a private enterprise (民企) by open tender and Yuefang SoE was renamed as Yuefang PE thereafter. According to then state-owned asset administrative laws and regulations, disposal of state-owned assets (國有資產剝離) should require, inter alia, (i) independent professional asset valuation (獨立專業評估) and; (ii) discrete transaction record with consideration evidence (獨立交易憑證附交割證據).

However, the related audited report of Yuegang SoE's tender document confirmed that there was no record of investment in, capital contribution or loan to GZ Zheng Da except for, inter alia, a contingent revenue of RMB38 million receivable from GZ Zheng Da. The related independent asset valuation report of Yuefang SoE further confirmed that no valuation was made to GZ Zheng Da's contingent bonus payable to Yuefang SoE. Moreover, there was no discrete transaction record of the disposal of the contractual rights of the said contingent receivable from GZ Zheng Da by then. On this basis, it was affirmed that Yuefang SoE did not have any equity interest in GZ Zheng Da while Yuefang SoE's contractual rights of receiving contingent bonus was not disposed but retained to the Yuexiu Regional Government by law.

Yuefang SoE was regarded as a nominee (代理人) of the Yuexiu Regional Government as Yuefang SoE did not have authority to deploy capital and assets as well as business operation as a separate legal entity by law. That is, the Chinese partner of GZ Zheng Da was the Yuexiu Regional Government while Yuefang SoE was regarded as its nominee.

Background of Yuefang PE

According to the public information provided by the professional corporate and writ search websites in China, the latest shareholding structure, credit standing and litigations engaged by Yuefang PE are as follows:



Remark:

1. Yuefang PE has been blacklisted as "Dishonoured Recoveree (失信被執行人)" and "Restricted High Value Consumption Person (被限制高消費人士)" by the Market Regulation Bureau for an aggregate compensation amount of more than RMB10 million. Dishonoured recoverees refer to those persons who are unable or fail to discharge their compensation obligations ruled or enforced by the court. Restricted high value consumption persons refer to those persons who are unable or fail to discharge their compensation obligations ruled or enforced by the court and hence the court grants prohibition orders to such persons on consumption of non-essential services, entertainment or purchases until their compensation obligations are fully discharged or relieved.

2. During 2023 to 2025, Yuefang PE was engaged in not less than 25 "new" civil or court enforcement cases, not less than 20 of which were in the capacity of defendant or recoveree with gross claim amount unidentified.

3. Per official corporate record registered at the Market Regulation Bureau to-date, the registered shareholders of GZ Zheng Da remain as HK Zheng Da (100% equity interest) and Yuefang SoE (0% equity interest) (but not Yuefang PE).

Filing for Extension of Operating Period

In June 2008, both the boards of GZ Zheng Da and HK Zheng Da (which held 100% registered capital of GZ Zheng Da) resolved to extend the operation period of GZ Zheng Da from 15 years to 30 years (i.e., till 2023) and submitted the relevant documentation to the Foreign Economic Commission for filing purpose (備案登記). The Foreign Economic Commission issued an acknowledgment of filing (受理備案) in December 2008.

Pursuant to then laws and regulations pertaining to extension of operating period, the subject extension was "deemed approved" if the Foreign Economic Commission did not issue an objection letter within one month after acknowledgement of filing. No objection letter was ever issued by the Foreign Economic Commission as discovered in GZ Zheng Da's court papers thereafter. As such, the operating period of GZ Zheng Da was duly extended from December 2008 to December 2023 by law.

However, the then Guangzhou Municipal Administration for Industry and Commerce (廣州市工商行政管理局) (the "Industry & Commerce Bureau") deferred the renewal of business license (營業執照) of GZ Zheng Da pending for the outcome of litigations between GZ Zheng Da and Yuefang PE, including the Liquidation Petition, but raised no objection to the continued operation of GZ Zheng Da. Both GZ Zheng Da and HK Zheng Da perceived that the Industry & Commerce Bureau's deferment of renewal of business license appeared to be against then company registration laws and regulations as GZ Zheng Da had submitted all relevant documentation as required by law to the bureau.

Since 2020, the Sino-Foreign Contractual Joint Venture Enterprises, including GZ Zheng Da, have been permitted to operate business with indefinite period pursuant to then company registration laws and regulations. Accordingly, GZ Zheng Da amended its articles to extend its operating period to indefinite period in late 2023.

GZ Zheng Da has been filing annual return and updating its business status with the Industry & Commerce Bureau (or the Market Regulation Bureau after 2016) annually in accordance with then prevailing company registration laws and regulations since its establishment in 1993 and up to to-date.

The Liquidation Petition

In January 2009, Yuefang PE, which was neither a registered shareholder, proven beneficial shareholder (已核實持有實質權益股東) nor proven creditor (已核實債權人) of GZ Zheng Da, filed a disputable compulsory liquidation plead against GZ Zheng Da (the "Liquidation Petition") at the Guangzhou Court based on the *pre-requisite* that GZ Zheng Da had triggered "company dissolution" (已出現公司解散事由) while GZ Zheng Da, the liquidation appellee, was not duly summoned by the Guangzhou Court at that time. Indeed, the so called "company dissolution" had never happened nor had never been put forward to a court for prior adjuration by the liquidation petitioner as required by law.

In March 2009, the Guangzhou Court granted an order to suspend the Liquidation Petition (the "Suspension Order") until a ruling of another related case was made but the court also did not duly serve the Suspension Order to GZ Zheng Da as required by law.

The First Liquidation Order

In March 2011, at the petition of Yuefang PE, the Guangzhou Court granted a decision on appointment of liquidator (指定清算組決定) (the "First Liquidation Order") appointing Guangdong Guoding Law Firm as the liquidator (清算組) of GZ Zheng Da (the "First Liquidator") but again did not duly serve the First Liquidation Order to GZ Zheng Da as required by law. Moreover, the First Liquidation Order was apparently granted without a ruling of grant (受理裁定) which was against then liquidation laws and regulations.

In September 2011, the First Liquidator, without the consent of GZ Zheng Da and valid supporting documents, registered its duties (清算備案登記) at then Industry & Commence Bureau which was against then liquidation laws and regulations. It was the first acknowledgment of GZ Zheng Da that the First Liquidator was appointed by the court some six months ago.

The First Liquidator did not perform its duties diligently in accordance with then liquidation laws and practices and the business of GZ Zheng Da remained usual since then. Meantime, GZ Zheng Da and HK Zheng Da, its 100% equity shareholder, filed dozens of complaints against the Guangzhou Court about the undue judicial process of the Liquidation Petition and the First Liquidation Order. No written reply had been received by the complainants so far.

The Liquidation Dismissal Order

In May 2021 (i.e., about 10 years after the date of grant of the First Liquidation Order), the Guangzhou Court issued a written judgement dismissing Yuefang PE's liquidation petition (the "Liquidation Dismissal Order (駁回清算申請裁定)") based on the ground that "the two joint venture parties had major disputes whether GZ Zheng Da had been dissolved, regarding major assets of, and interests in, the subject company, and such disputes had never been ascertained by trial or arbitration (雙方對於廣州正大是否發生解散事由、公司主要財產以及公司權益尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

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

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

The First Liquidator did not discharge its duties despite the Liquidation Petition was dismissed which was against then liquidation laws and regulations.

In August 2021, Yuefang PE submitted an appeal against the ruling of the Guangzhou Court at the Guangdong Court as permissible by law. A hearing was convened by the court in January 2022.

The Rescission Order

In May 2023 (i.e., exactly two years after the date of grant of the Liquidation Dismissal Order), the Guangdong Court issued a written judgement revoking the Liquidation Dismissal Order and directing the Guangzhou Court to continue to proceed the liquidation case (i.e., Case No. 16) (the "Rescission Order (撤銷駁回裁定)"). That is, GZ Zheng Da would be subject to a second liquidation if the Guangzhou Court abided with the Rescission Order (however the junior court had legal rights not to abide the senior court's order if it thought deem fit and with legal justification).

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

Both GZ Zheng Da and HK Zheng Da perceived that the aforesaid court's view was disputable as the mutual disputes in specific asset allocation options between the liquidation petitioner and appellee should be adjudicated by court prior to liquidation petition as required by law but not be solved via legal actions initiated by both parties during the liquidation process.

Per the written judgment, the Guangdong Court was of the view that (i) taking into consideration the Foreign Economic Commission not yet granted the written approval on extension of operating period as verbally represented by Yuefang PE at the court hearing, GZ Zheng Da, the appellee, had triggered "statutory company dissolution"; and (ii) taking into consideration Yuefang PE had taken up Yuefang SoE's interest in GZ Zheng Da as evidenced by the completion of the re-organisation of Yuefang SoE in 2006, Yuefang PE was regarded as the "shareholder by law (合法股東)" of GZ Zheng Da. Hence, the court concluded that the two *pre-requisites* for lodging a compulsory liquidation petition against GZ Zheng Da by Yuefang PE were fulfilled.

Both GZ Zheng Da and HK Zheng Da contended to the court's views with legal grounds to be elaborated below.

The Second Liquidation Order

In August 2023, the Guangzhou Court initiated a new case number (i.e., Case No. 50) and granted a decision on appointment of liquidator (指定清算組決定) (the "Second Liquidation Order") appointing Guangdong Jinzhen Law Firm as the second liquidator of GZ Zheng Da (the "Second Liquidator").

In September 2023, the Second Liquidator posted the "Receivership Notice" (接管公告) in the court's designated website requesting the management of GZ Zheng Da to co-operate with the liquidator for handover of books of accounts, assets and official seal. GZ Zheng Da declined to co-operate with the Second Liquidator as permissible by law. No direct communication between GZ Zheng Da and the Second Liquidator took place since then.

In September 2024, the Second Liquidator posted the "Invalidation of Official Seal Notice (印章作廢公告)" in the court's designated website declaring that the official seal of GZ Zheng Da had been invalidated and expired from the date of acceptance (受理日) of the Liquidation Petition by the court (i.e., since January 2009). Indeed, the government authorities, the courts and even the Second Liquidator continued to acknowledge GZ Zheng Da as a separate legal entity.

It was acknowledged that the Second Liquidator had not made further action against GZ Zheng Da since September 2024 and the Second Liquidator remained not yet registered its appointment as the new liquidator of GZ Zheng Da at the Market Regulation Bureau as required by law while the business of GZ Zheng Da remained to operate as usual to-date. Meantime, HK Zheng Da and GZ Zheng Da filed dozens of complaints to the court officials about the undue judicial process of the Liquidation Petition and the Second Liquidation Order. No written reply had been received by the compliments so far.

Up to to-date, the Guangzhou Court convened two chamber hearings (庭詢) as fact findings and discussion forum for all interested parties (including HK Zheng Da) but not trial sessions. At the chamber hearings, HK Zheng Da challenged the lawful authority of the Liquidation Petition and the Second Liquidation Order but the Second Liquidator did not clarify all such legal disputes. Indeed HK Zheng Da demanded for dismissal of the Liquidation Petition as permissible by law but the judge-in-charge encouraged all parties to make an off-court settlement (庭外和解) if practicable. Neither ruling nor directive was made by the court so far.

Management' Representation

In summary, the Directors' views are as follows:

(1) GZ Zheng Da never triggered Company Dissolution

According to the relevant liquidation laws and regulations, there are two *pre-requisites* for lodging a compulsory liquidation petition by the petitioner: (i) the petitioner should submit evidence of "*statutory company dissolution*" at the court; and (ii) the court should ascertain if the petitioner has proven equity interest in or debt of the appellee company.

The "statutory company dissolution" refers to (i) the board resolves to dissolve the company (i.e., voluntary dissolution); (ii) the court orders to dissolve the company (i.e., dissolution by legal enforcement); or (iii) the administrative authority demands for company dissolution (i.e., compulsory dissolution).

GZ Zheng Da did not trigger any of the aforesaid company dissolutions in late 2008 as discovered in its court papers thereafter. The court's view of "triggering statutory company dissolution" is unfound and without legal substantiation.

(2) GZ Zheng Da's Operating Period was duly extended

According to then extension of operating period laws and regulations, the subject enterprise was no longer required to apply for approval (申請審批) of extension of operating period but required to file a notice (備案登記) of extension of operating period at the Foreign Economic Commission. Hence, if the Foreign Economic Commission acknowledged the duly receipt of filing notice but did not issue an objection in writing within one month, the extension of operating period of the subject enterprise was deemed to be approved and a discrete written approval was no longer required.

Hence, the court's view of "approval for application of extension of operating period not granted" was made based on the prima facie fact but not in accordance with then laws and regulations. Indeed the court's finding was based on Yuefang PE's verbal (not even written) representation but not independent verification with the Foreign Economic Commission. The court's conclusion is based on presumptive evidence, imprudent and without legal substantiation.

(3) Yuefang PE was never an equity holder of GZ Zheng Da

The registered shareholders of GZ Zheng Da remain as HK Zheng Da (with 100% equity interest) and Yuefang SoE (not Yuefang PE) (with 0% equity interest) as recorded at the Market Regulation Bureau to-date. This indicates that Yuefang SoE is only a promotor (without capital contribution) but not an equity shareholder of GZ Zheng Da. A promoter's rights will be ceased once the company is duly incorporated unless the promotor commits to capital contribution. Moreover, a non-registered shareholder is not permitted to sue its company by law.

The courts did not request Yuefang PE, the liquidation petitioner, to demonstrate the evidence of holding an equity interest in GZ Zheng Da (including extent of equity interest) at the respective dates of petition in 2009 and of appeal in 2022 which were against then legal provisions. Moreover, the courts did not challenge if Yuefang PE, which was not yet a registered shareholder of GZ Zheng Da, was eligible to plead a petition by law.

In the tender document of Yuefang SoE dated September 2005, its audited report stated that "no record of capital contribution or investment in GZ Zheng Da". As such, subsequent to the re-organisation of Yuefang SoE from state-owned enterprise to privately owned company and renamed as Yuefang PE in early 2007, Yuefang PE attempted to apply for change of name of registered shareholder of GZ Zheng Da from Yuefang SoE to Yuefang PE but such application was declined by then Industry & Commerce Bureau as Yuefang PE was unable to provide evidence of capital contribution or other evidence of holding equity interest in GZ Zheng Da. The identity of a promoter (including change of name) cannot be changed once its company is duly incorporated as stipulated by law.

The relevant liquidation laws and regulations require the liquidation petitioner to demonstrate its proven equity interest in the company appellee at the court. Yuefang PE, which was not yet a registered shareholder or a beneficial equity shareholder of GZ Zheng Da, had no right to plead the Liquidation Petition in 2009 as well as plead an appeal in 2021.

(4) The Liquidation Petition was subject to undue judicial process

The relevant liquidation laws and regulations stipulate that the court (i) should ascertain if a liquidation petition fulfills the two aforesaid *pre-requisites*; and (ii) should summon all interested parties (including major shareholders) for hearing before acceptance of the petition (受理呈請), and (iii) the court should decline the liquidation petition if (a) the *pre-requisites* are in doubt or without prior adjuration submitted by the petitioner; or (b) the interested parties raise objection to the liquidation petition with reasonable grounds.

As elaborated in the above section, that was not the case for GZ Zheng Da. The court did not summon GZ Zheng Da for attending the pre-liquidation hearing. Up to to-date, the court remains not yet provided a copy of the liquidation petitioner's writ of plead (呈請狀) (which was required to state the two pre-requisites by law) to GZ Zheng Da, the liquidation appellee.

(5) No Rulings of Grant (受理裁定) before Appointment of Liquidators

The relevant liquidation laws and regulations stipulate that (i) a ruling on "grant or dismissal" (受理或駁回裁定) should be made once a liquidation petition is accepted by the court; and (ii) a "ruling of grant (受理裁定)" should be made prior to the grant of decision of appointing liquidator (指定清算組決定).

Apparently there were no "rulings of grant" when both the First Liquidator and the Second Liquidator were appointed by the court in 2011 and 2023, respectively.

(6) The Chinese Partner of GZ Zheng Da is not entitled to residual asset distribution by law

GZ Zheng Da is governed by dual laws, namely the Company Law and the Sino-Foreign Contractual JV Law. According to the provisions of the Company Law, the residual assets of a liquidated company, if any, shall be distributed to shareholders pro rata to their respective capital contributions already made. If according to the provisions of the Sino-Foreign Contractual JV Law, the residual assets of a liquidated enterprise, if any, shall be distributed in accordance with the terms of the contractual agreements of the joint venture partners.

Given Yuefang SoE, the Chinese partner of GZ Zheng Da, was not required to make any capital contribution and undertook to surrender all its interests, benefits and obligations in GZ Zheng Da except for receiving a management fee of RMB10 million and a conditional bonus of RMB38 million per the terms of the joint venture agreement of GZ Zheng Da (as revised), it is perceived that Yuefang PE (assuming it takes up Yuefang SoE's contractual (but not equity) interest in GZ Zheng Da by law) does not have legal ground to propose a *modified* asset distribution plan not in accordance with the aforesaid laws and without prior consent of HK Zheng Da, the sole equity shareholder of GZ Zheng Da, to the court if in case the liquidation of GZ Zheng Da proceeds in accordance with prevailing liquidation laws and regulations.

However, the Company's legal advisers opine that Yuefang PE may propose "alternate claim (另類索賠)" (i.e., other claim not in accordance with the provisions of the Company Law and the Sino-Foreign Contractual JV Law) based on its own presumptive evidence at the court but without further elaboration. The Management considers that such claim is remote and unlikely as the liquidation petitioner has never succeeded such claim at the court since its plead made in 2009.

(7) Plead for Dismissal of the Liquidation Petition

Given the case (i.e., Case No. 50) is apparently "decided on mistaken and unfair basis (不公錯案)" and not yet ruled (尚未作出裁定), both GZ Zheng Da and HK Zheng Da are optimistic and would use their best endeavours to plead to the court for granting "dismissal of liquidation petition (駁回清算申請)" by law *again* as soon as practicable.

Actions Taken in Response to the Liquidation Petition

The Group had taken the following actions in response to the Liquidation Petition:

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

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

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

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

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

(iii) Both GZ Zheng Da and HK Zheng Da confirmed with the Company that they would use their best endeavours to preserve their respective legal rights when the Second Liquidator approached them. Up to to-date, there was no dialogue between GZ Zheng Da and the Second Liquidator.

(iv) Both GZ Zheng Da and HK Zheng Da had taken other administrative and practical actions to solve the said deadlock and such actions were on good track.

MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition, details of which were disclosed on pages 20 to 21 of the Company's annual report for the year ended 31 December 2022 ("Annual Report 2022"). Latest development of the Acquisition (as defined in the Annual Report 2022) since 24 June 2024, the date of the Company's announcement pertaining to the latest extension agreement is summarised below.

Notwithstanding GZ Zheng Da, the underlying operating company of HK Zheng Da, has been frustrated by a questionable liquidation plead for years, the Group reiterates that the liquidation plead is not substantiated by both facts and law and hence is confident that the action would be inoperative or squashed by law in the foreseeable future (*say, about two years*). On this basis, the Group entered into an extension agreement ("2024 Extension Agreement") on 24 June 2024 to further extend the Long Stop Date (as defined in the Annual Report 2022) to 30 June 2026 with an aim of arriving revised terms for the Acquisition. If a revised timetable is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowing, private-equity funding or a combination of the four kinds. If in case the Acquisition lapses on 30 June 2026, no party shall be liable to each other. Further details of the 2024 Extension Agreement were disclosed in the Company's announcement dated 24 June 2024.

MATERIAL LITIGATION

Following the derecognition of GZ Zheng Da from the Group in May 2023, and except for the litigation disclosed in the section headed "Actions Taken in Response to the Liquidation Petition" above, the Group did not engage in new litigation or had litigation outstanding during the year ended 31 December 2025 (2024: Nil).

PROSPECT

The year 2026 marks the starting point of the "15th Five-Year Plan" of China. According to the Government Working Report delivered by the Chinese Premier Li Qiang this early month, China's real estate industry has officially established the core goal of "striving to stabilize the real estate market", and fully migrated to a high quality development phase characterized by "inventory revitalization, quality improvement, sustainable and effective construction". Both official reports and authoritative interpretations indicate that the focus of real estate industry in Chinese national policy has shifted from acute risk decoupling to the new systematic construction and development model which pinpoints turnaround for the industry.

At the macro level, the Chinese national policy employs a combination of measures of "controlling bulk volume, reducing inventory, and optimizing supply with fine tuning to adapt local conditions", which aims to digest inventory as well as to fill up shortfall in the market. On the demand side, the nation demonstrates application of precise policy and highly integrates commodity property policies with social development strategies. On this cornerstone, the real estate industry will comprehensively migrate to quality upgrades, including progressively promoting "quality properties" and implementing quality upgrade of commodity properties. This will signify a profound transformation of the industry's practices from economy of scale expansion to quality commodity property market. In terms of risk management, the national policy demands a new construction model with intensive integration of the elements of "people, property, land, and capital" and motivates a closed loop economy in the long term.

Aligning with these macro trends, the Group will actively seek policy support from Chinese local governments in areas such as land replacement, urban re-development, environmental friendly and novel technologies, and persistently input novel technologies and environmental friendly concepts in real estate development with an objective of transforming policy bonus to corporate development momentum. On the investment front, the Group will adhere to focus and refocus strategy, strictly adapt the re-development principles of "good cities, good locations, good designs". By strictly adhering to "market-oriented investment" and upholding bottom line profit principles, the Group will resolutely avoid those redevelopment projects without market demand. This approach couples closely with the national macro policies on de-risk precaution and "optimizing supply". In terms of products, the Group will comprehensively benchmark to the industry's best practices, continuously enhance cost control, refine management capabilities, and uninterruptedly build up comprehensive competitiveness that can surpass product life cycles. Through these concrete actions and firm determination the Group will transform those macro policy guidelines into high-quality corporate development.

The Group's re-development project in Yuexiu District, Guangzhou, is situated in the city's most prime commercial area, with pre-designed connection to two subway stations and a five-minute walking distance to the riverbank of the Pearl River in Guangzhou. Consequently, the Group intends to develop the project into the most avant-garde commercial complex in the region, incorporating fundamental elements such as environmental sustainability, energy efficiency, emission reduction, and cultural vibrancy to attract tenants who pursue excellence and green initiatives. To this end, the Group has established a workshop in Beijing, dedicated to securing national-level endorsements for the re-development plan, such as zero-carbon emission projects, advanced eco-friendly material construction initiatives, or smart city pilot programs.

The real estate market in China continues to face challenges with inventory oversupply and weak demand, which are expected to persist for at least another two to three years before turnaround. In light of this and coupled with ongoing unresolved liquidation disputes, the timeline for the redevelopment project in the Yuexiu District, Guangzhou will be extended by about one year. Full-scale construction is anticipated to commence in late 2027, aiming for the completion of the first phase by the fourth quarter of 2029, as a tribute to the 80th anniversary of the National Day.

As for the Group's shopping mall located in Yuzhong District (渝中區), Chongqing (重慶市), it is situated in the core area of Chaotianmen (朝天門) in the city center, facing the Jialing River (嘉陵江) and only a five-minute walk from the new landmark of Chongqing Raffles (重慶萊福仕商場). Leasing performance has remained stable and has not been significantly affected by the market downturn. However, as the mall was completed nearly 25 years ago, its exterior and design have begun to fall behind standards to-date. Following the completion of the re-development project in Yuexiu District, Guangzhou, the Group intends to collaborate with another property owner to redevelop the existing mall in Chongqing.

Given the GZ Zheng Da's liquidation case is apparently "decided on mistaken and unfair basis" (不公錯案), the Group is confident and would use its best endeavours to petition to the courts for granting another dismissal of the liquidation application.

The outline of China's "15th Five-Year Plan" explicitly includes the development of North Metropolis of Hong Kong which earmarks that the development of North Metropolis will be upgraded to national strategic level and become a key platform for Hong Kong-Shenzhen co-operation and high calibre development of the Greater Bay of Guangdong-Hong Kong-Macau. The Plan aims to transform the North Metropolis to an international novel technological centre and financial hub, and migrates to the development network of the national "15th Five-Year Plan". The Directors fully support the Hong Kong Administration to develop the North Metropolis comprehensively and full speedily.

On this occasion, the Directors pay tribute to the 90th anniversary of victory of the Red Army's Long March.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 21 (2024: 23) employees. Total staff costs (including directors' remuneration) for the year under review amounted to HK$7,625,000 (2024: HK$7,506,000). Details of remuneration policies, bonus and share schemes are disclosed in the Directors' Report below.

ANNUAL GENERAL MEETING

It is intended that the forthcoming annual general meeting of the Company will be held in June 2026.

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

Report of the Directors

The Directors have pleasure in presenting their report together with their audited financial statements for the year ended 31 December 2025.

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 30 to the financial statements. Except for commencement of the business of consulting services pertaining to power collection, electrical storage, and charging solutions during the year, there were no other significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the business of the Group, comprising a discussion and analysis of the performance of the Group during the year including analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred (if any) since the end of the year ended 31 December 2025, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Management Discussion and Analysis" on pages 3 to 19.
- "Financial Risk Management Objectives and Policies" in note 28 to the financial statements on pages 106 to 108.
- "Corporate Governance Report" on pages 30 to 38.

All such discussions form part of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2025 and the Group's financial position at that date are set out in the financial statements on pages 55 to 114, respectively, of this annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2025.

FIVE YEAR GROUP FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from its audited financial statements, is set out on page 115 of the annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movement of the Company's share capital are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company did not have reserves available for cash distribution and distribution in specie. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$17,344,000, are distributable in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

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

DIRECTORS

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

Executive Director:

Ho Kam Hung

Non-Executive Director:

Young Kwok Sui

Independent Non-Executive Directors:

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

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

Report of the Directors

In accordance with the Company's bye-laws, Ho Kam Hung and Tam Kong, Lawrence shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Details of the profile of the Directors are set on page 49 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those disclosed in section headed "Connected Transactions" below and note 31 to the financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or any of the Company's subsidiaries was a party and in which a director nor a connected entity of a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during the year.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

The Company operated a share option scheme (the "Share Option Scheme") on 19 December 2012 and remained in force for 10 years from that date. The Share Option Scheme was lapsed on 18 December 2022. Further details of the Share Option Scheme are disclosed in note 22 to the financial statements.

No share options have been granted, exercised or cancelled pursuant to the terms of the Share Option Scheme during the year. 5,000,000 share options granted under the Share Option Scheme was lapsed during the year.

As at 1 January 2025 and 31 December 2025, there was no share option that was still available for grant under the Share Option Scheme. There were no shares available for issue under the Share Option Scheme as at 31 December 2025 and the date of this annual report.

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

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

Notes to the table of Share Option Scheme:

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

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

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

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

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company (if any) in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers (the "ST Model Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and which were required to be entered into the register pursuant to Section 352 of the SFO, were as follows:

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

Notes:

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

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

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

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

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

SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 31 December 2025, the following Director had interests in the non-voting deferred shares in certain subsidiaries of the Company:

Long position in shares of the associated corporations

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

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

Save as disclosed above, as at 31 December 2025, to the best knowledge of the Directors, none of the Directors or chief executive of the Company (if any) had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the ST Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction, details of which are disclosed as follows as required pursuant to Rule 14A.35 of the Listing Rules:

A consulting fee of approximately HK$324,000 (2024: Nil) was received by a subsidiary of the Company for consulting services pertaining to power collection, electrical storage, and charging solutions from a company owned by an executive Director. The connected transaction constitutes a de minimis transaction pursuant to Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTION

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

A licence fee of HK$1,797,000 (2024: HK$1,844,000) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive Director. As at 31 December 2025, an amount due to the related company of HK$5,080,000 (2024: HK$3,283,000) was included in "Other Payables and Accruals" on the Company's consolidated statement of financial position. The continuing connected transaction under the licensing agreement constitutes a de minimis transaction pursuant to Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had 21 (2024: 23) employees and the total staff costs (including Directors' and chief executive's remuneration) accumulated to approximately HK$7.6 million (2024: HK$7.5 million).

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

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

As at 31 December 2025, to the best knowledge of the Directors, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying share as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2025, no person, other than the Directors, whose interests are set out in "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

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

Please refer to pages 39 to 48 of this annual report under the section headed "Environmental, Social and Governance Report" for further details.

RELATIONSHIP WITH EMPLOYEES

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

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

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

There was no change of the auditor of the Company in the preceding three years.

ON BEHALF OF THE BOARD

Ho Kam Hung
Executive Director

Hong Kong
30 March 2026

Corporate Governance Report

This corporate governance report (the "CG Report") describes the Company's corporate governance practices and explains the application of the principles of the code provisions of the Corporate Governance Code (the "Governance Code") as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2025. The board of directors of the Company (the "Board") are of the view that the Company generally complied with the Governance Code throughout the year.

BOARD OF DIRECTORS

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

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

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

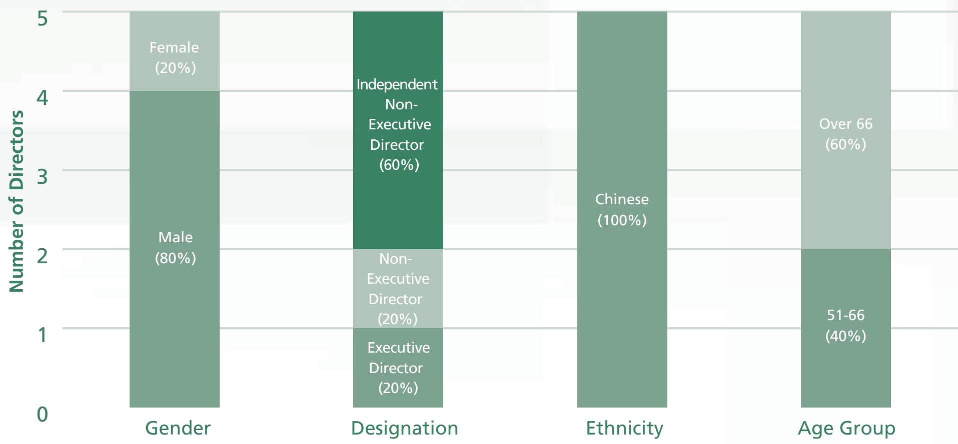
The Board perceived that gender or age diversity policy itself may constitute a kind of discrimination to certain extent. Hence, the Board would not pursue parameters for gender, age or ethnic diversity at the board level but always invite the most suitable candidates as new board members.

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

Board Skills Matrix

Note: The Board comprises 5 Directors.

The following chart shows the diversity profile of the Board as at 31 December 2025:



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

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

BOARD INDEPENDENCE

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

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

At the Company's annual general meeting held on 10 June 2025, the chairperson of the meeting declared that all three independent non-executive Directors had served on the board for more than nine years and elaborated further that both the Nomination Committee and the Board considered that the long service of the independent non-executive directors would not affect their exercise of independent judgement and were satisfied that they had the required character, integrity and experience to perform their respective duties as independent non-executive directors by providing objective views and independent guidance to the board. Wong Miu Ting, Ivy, one of the three independent non-executive Directors, was re-elected upon retirement by rotation pursuant to the Company's bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE

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

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

NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

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

Name	Attended/Eligible to attend Board meeting	Remuneration Committee meeting	Nomination Committee meeting	Audit Committee meeting	General meeting**
Executive Director					
Ho Kam Hung	8/8	2/2	1/1	N/A*	1/1
Non-Executive Director					
Young Kwok Sui	8/8	N/A	N/A	5/5	1/1
Independent Non-Executive Directors					
Tam Kong, Lawrence	8/8	2/2	1/1	5/5	1/1
Wong Miu Ting, Ivy	7/8	2/2	1/1	5/5	1/1
Wong Kui Fai	8/8	2/2	1/1	5/5	1/1

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

** Being the annual general meeting of the Company held on 10 June 2025.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

During the year ended 31 December 2025, the Directors participated in the following trainings:

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

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

AUDIT COMMITTEE

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

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

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

The Audit Committee also reviewed the Group's interim results for the six months ended 30 June 2025 and annual results for the year ended 31 December 2025.

The Company's auditor issued a qualified audit opinion on the Company's consolidated financial statements for the third year in March 2026. Removal of qualified audit opinion is regarded as a risk management. The Management, in conjunction with the Audit Committee and/or the Company's auditor, had held regular meetings to keep them updated with the latest development of the liquidation progress and will use their best endeavours to tackle the issues. Other than the actions taken in response to the Rescission Order as described in the "Management Discussion and Analysis" section of this annual report, the Board would closely work with its professionals and advisers in China with an aim to either (i) set aside the Rescission Order; or (ii) identify the magnitude of the potential claim to be made (if any) by the liquidation petitioner (清算呈請人) as soon as practicable. The Board is confident that such information, if available, may help to provide sufficient audit evidence for auditor's assessment. The Board aims to achieve an unqualified audit opinion on the Company's consolidated financial statements for the year ending 31 December 2026 as priority risk management.

REMUNERATION COMMITTEE

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

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

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

NOMINATION COMMITTEE

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

WHISTLEBLOWING POLICY

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

ANTI-FRAUD AND ANTI-BRIBERY POLICIES

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

DIVIDEND POLICY

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges that they are responsible for the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the financial statements for the year ended 31 December 2025, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that were fair and reasonable and prepared the financial statements on a going concern basis. The Board is also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There were no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for the year ended 31 December 2025.

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

AUDITOR'S REMUNERATION

The Audit Committee has received confirmation from and discussed with the Company's auditor, Ernst & Young, on its independence and objectivity. During the year under review, the Audit Committee reviewed and approved Ernst & Young's statutory audit scope and fees proposal. For the year ended 31 December 2025, Ernst & Young charged HK$2,200,000 for statutory audit services.

COMPANY SECRETARY

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

During the year ended 31 December 2025, Lee Tao Wai, the Company Secretary, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Procedures for shareholders to convene a special general meeting

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

Procedures for shareholders to put forward proposals at shareholders' meeting

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

Procedures by which enquiries may be put to the Board

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

INVESTOR RELATIONS

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

INTRODUCTION

Pursuant to the Listing Rules, the Company is required to prepare a summary of the Group's management approach, strategies, priorities and objectives to environmental, social and governance matters, and explain how these parameters relate to or affect the Group's business and operation. The Group is principally engaged in property investment and management businesses in China. After assessment of the Group's resources and expertise available, the Management has prepared the environmental, social and governance report (the "ESG Report") with the professional assistance of an external professional consultancy firm. The Company is pleased to present the ESG Report below:

REPORTING SCOPE

The ESG Report summarises the performance of the Group with respect of corporate environmental and social responsibility, covering its operations which are considered as material by the Group, primarily property management in China, with related property development and investment activities being non-core.

REPORTING PERIOD

The ESG Report demonstrates our sustainability initiatives during the reporting period from 1 January 2025 to 31 December 2025.

REPORTING BASIS

The ESG Report is prepared with reference to Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") as set out in Appendix C2 to the Listing Rules. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide.

With the aim to optimise and improve the disclosure requirements in the ESG Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. The ESG Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

The ESG Report summarised the Group's performance in corporate and social responsibilities applying the reporting principles of "Materiality, Quantitative, Balance and Consistency" as below:

Reporting Principles	Application by the Group
Materiality	The Group identified and evaluated the materiality and the importance of ESG issues through continuous communication with our stakeholders and taking into consideration the Group's business operations and sustainable development.
Quantitative	The Group has taken initiative to formulate policies and record relevant measurable data for performance monitoring and evaluation. The Group disclosed its environmental and social key performance indicators ("KPIs") in a quantitative manner with explanations.
Balance	The Group has presented our performance in sustainable development and ESG issues based on objective facts and avoided improper selections, omissions or presentation formats that may inappropriately influence a decision or judgment by the report reader.
Consistency	The Group adopted a consistent approach annually on the disclosure scope and statistical methods used for KPIs in the ESG Report to provide meaningful comparison for our performance evaluation.

SOURCE OF INFORMATION

Information and data contained in the ESG Report are derived from the Group's formal internal documents, statistical reports and public information, after verification by relevant departments. The ESG Report was reviewed and approved by the Board who takes the responsibility for the truthfulness, accuracy and completeness of its contents.

ACCESS TO THE REPORT

The ESG Report is available in electronic version in Chinese and English languages. Should there be any discrepancy between the Chinese and English versions, the English version shall prevail. You may access the website of the HKEX at www.hkexnews.hk for an electronic copy of the ESG Report.

CONTACT INFORMATION

The Group welcomes all stakeholders to provide their opinions and suggestions. Stakeholders can provide valuable advice in respect of the Report or the Group's performances in sustainable development by email to admin@zhonghuagroup.com.

ESG FRAMEWORK

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

ESG EVALUATION

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

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

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

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

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

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

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

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

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

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

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

SCOPE AND LIMITATION

The Group is principally engaged in property development, investment and management businesses, with its current operational focus on property management. As at 31 December 2025, the Group operated a shopping mall in Chongqing, China. The Group also maintained a corporate office in Hong Kong handling corporate, accounting and listing rules compliance matters. The total headcount of the Group was 21 as at 31 December 2025.

Taking into account of relatively small operational scale and headcount of 21, the Management has to balance the efforts and additional resources utilised for ESG management and its cost benefits and contributions to the communities.

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

ENVIRONMENTAL ASPECTS

EMISSIONS AND USE OF RESOURCES

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

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

The Management also implements sensible energy saving program and policies from time to time. For instance, most fluorescent tubes and tungsten light bulbs used in Gang Yu Square in Chongqing have been replaced with light emitting diode tubes and comparable energy saving lighting appliances a couple years ago. Due to the nature of its business, the Management perceives that hazardous waste and greenhouse gas emission (such as methane, nitrous oxide or sulphur hexafluoride) to be generated by shopping mall operation is minimal, and the Management considers water and fuel consumption in shopping mall operations to be manageable within existing resource efficiency measures. There is limited energy saving lighting installed in the corporate office in Hong Kong because most lighting are provided by the landlord.

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

The Management considers that the environmental impact of its operations is minimal and is not subject to material disclosure under the ESG Reporting Guide. The Group will continue to monitor any changes in its operational control that may require future data collection.

Scope 3 emissions (indirect emissions from value chain activities) have not been reported in this year's report, as data collection processes are still being established and relevant data is not readily available. The Group will continue to evaluate the feasibility of Scope 3 reporting in future reporting cycles.

ENVIRONMENT, NATURAL RESOURCES

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

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

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR STANDARDS

The Group has a headcount of 21, and most staff have been serving the Group for many years. Staff turnover rate was relatively low in the past. Given the Group's small workforce, the Management has determined that a detailed breakdown by gender and age would not yield statistically significant insights. The Group remains committed to fair employment practices and will continue to review its disclosure approach as the workforce evolves.

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

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

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

The Group is committed to upholding the elimination of all forms of forced and compulsory labour and supporting the effective abolition of child labour. Prior to confirmation of employment, job applicants are required to provide valid identity documents for age verification in order to ensure the applicants are lawfully employable. Forced labour is strictly prohibited. All works should not be performed under threat of penalty or coercion and all employees may resign upon reasonable notice. Salary and benefits were given in accordance with applicable laws and regulations during the year.

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

HEALTH AND SAFETY

Although our businesses are mainly office-based, we always place the highest priority on protecting the health and safety of our employees. All premises under the Group's management do comply with the relevant building, fire, and environmental requirements imposed by the relevant laws and regulations from time to time. The Management conducts fire drill at Gang Yu Square and its corporate office in Hong Kong twice per year. Besides, we spare no effort to implement health and safety measures as follows:

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

With the above measures implemented, there was no case of work-related fatal or serious accidents during the reporting periods.

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

During the year, there were no work injury cases and no lost days due to work injury in our business operation. There was no work-related fatality case during the current reporting period. Employees were given paid sick leave for their recovery. Overall, no employees had serious accidents during the reporting periods.

DEVELOPMENT AND TRAINING

The Group believes that the knowledge, skills and capabilities of our employees are vital to the Group's continued business growth and success. In view of this, the Group always encourages the staff to enroll professional, academic, vocational or healthcare related training courses. The Management also organises in-house seminars and training courses for its directors from time to time. The Group grants subsidy to its staff for attending external professional and vocational training courses should circumstances necessitate.

SUPPLY CHAIN MANAGEMENT AND PRODUCT RESPONSIBILITY

Due to its business nature, the Group did not set up hard and fast rules for supply chain management and product responsibility. During the reporting period, we have 1 property management supplier serving shopping centres. Alternatively, the Management always encourages its tenants and contractors to observe intellectual rights and product safety. The Management always respects fair trade contracts.

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

ANTI-CORRUPTION AND ANTI-MONEY-LAUNDERING

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

COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Management always dedicates its staff and resources to serve the community by means of donations, sponsorship, volunteer services, and organizing "kai fong" events within the community.

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

CLIMATE RESILIENCE

During the year, the Group conducted a preliminary review of climate-related risks and opportunities that may affect its property operations in Chongqing and its corporate office in Hong Kong. The review confirmed that the Group's existing risk management framework remains appropriate for its scale, while also highlighting areas for continued monitoring.

Governance

The Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's Management.

Strategy

Climate change risk is considered within the Group's overall risk profile. For our shopping mall in Chongqing and corporate office in Hong Kong, the primary climate-related risks include physical impacts such as extreme weather events (e.g., typhoons, heavy rainfall, flooding) that could disrupt operations or damage property, as well as transitional risks associated with evolving building energy efficiency or environmental regulations. The Group assesses these risks by considering the nature of our assets, local conditions, and available guidance from relevant authorities.

Risk Management

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

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

Significant climate-related issues

During the reporting period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact the Group's business and strategy, together with the steps taken to manage these risks, are as follows:

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

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

During the reporting period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial impact
Resource efficiency • Implement energy efficiency retrofits (e.g., LED lighting, high-efficiency HVAC, smart building management systems) to reduce electricity consumption and operating costs. • Enhance water efficiency through rainwater harvesting, greywater recycling, and installation of water-efficient fixtures.	• Operating costs reduce through lower energy and water consumption. • Profit margins may improve through reduced operational expenses.
Potential future opportunities • Explore the feasibility of installing on-site renewable energy sources, such as solar panels on rooftops, to power common areas and reduce reliance on grid electricity. • Participate in green power purchasing schemes where available.	• Energy costs stabilize or reduce through on-site generation and reduced reliance on the grid. • Potential revenue streams could be generated from excess renewable energy.
Products and services • Develop and market our properties as "green" or "sustainable" to attract premium tenants. • Offer value-added services to tenants that help them reduce their own environmental footprint.	• Revenue and property valuations increase by attracting and retaining environmentally conscious tenants willing to pay a premium for sustainable spaces. • Competitive advantage strengthens as our properties align with market demands for lower-carbon operations.
Resilience • Enhance building resilience to climate impacts, ensuring business continuity and protecting asset value. • Integrate climate considerations into capital planning and asset management strategies.	• Supply chain reliability (e.g., utility supply) improves through reduced vulnerability to climate-related disruptions. • Market valuation may be enhanced through improved resilience planning and long-term strategic positioning.

Metrics and Targets

The Group currently does not have specific quantitative climate-related metrics or targets, given its small operational scale. The primary metric considered is the operational resilience of its shopping mall in Chongqing and corporate office in Hong Kong, which is managed through regular emergency planning. The Group will continue to monitor developments in climate-related reporting requirements and assess the appropriateness of adopting formal metrics in the future.

DIRECTORS

Executive director

Ho Kam Hung, aged 70, has been appointed on 26 September 1996. He has over 30 years' experience in property investment and development, manufacturing, multinational trading and high-tech investments in China. In recent years, Mr. Ho has been engaging in novel and quality productivity (新質生產力) related projects and investments. Mr. Ho has been enthusiastic in community services in China and is currently the Standing Committee of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)) as well as the vice presidents of Guangdong International Overseas Chinese Chamber of Commerce (廣東國際華商會) and Guangdong Chamber of Foreign Investors (廣東外商公會).

Non-executive director

Young Kwok Sui, aged 67, was appointed as an independent non-executive Director on 31 December 2002 and was re-designated as a non-executive Director on 16 March 2006. He holds bachelor degrees in laws and commerce awarded by the University of Canterbury, New Zealand. He is also a solicitor and barrister of the High Court of New Zealand. He has over 30 years' professional and commercial experiences in finance, corporate strategies and property sector.

Independent non-executive directors

Tam Kong, Lawrence, aged 81, was appointed on 15 December 2005 as an independent non-executive Director. He is a seasoned banking and finance professional. He is a member of the Chartered Governance Institute (formerly known as *the Institute of Chartered Secretaries and Administrators*), the United Kingdom, and holds a Post-Graduate Diploma in Management Studies from the University of Hong Kong and has completed the Pacific Rim Bankers Program at the University of Washington, Seattle, the United States of America.

Wong Miu Ting, Ivy, aged 64, was appointed on 15 December 2005 as an independent non-executive Director. She holds a Bachelor Degree in Accounting and Financial Management from Loughborough University, the United Kingdom. She is a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Wong has over 30 years' experience in auditing and business advisory. She also has experience in initial public offerings of various companies and has been providing financial advisory services to listed companies in relation to accounting, internal control and financial matters.

Wong Kui Fai, aged 69, was appointed on 1 December 2006 as an independent non-executive Director. He holds a Bachelor Degree in Actuarial Science from University of Kent, the United Kingdom. He has been in the information technology ("IT") field for over 40 years with regional exposure covering the Greater China region and the United States. He had served at senior management levels for a number of multinational e-commerce solutions corporations and IT investment companies with hands-on experience in operations, strategic planning and direct investments. Mr. Wong formerly was the General Manager of Microsoft Hong Kong Limited and is presently actively engaged in mergers and acquisitions of cross border IT investment projects. During the period from 24 September 2021 to 18 March 2022, Mr. Wong was an executive director of Winshine Science Company Limited which shares are listed on the Main Board of the Stock Exchange (stock code: 209).

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 114, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 11 to the consolidated financial statements, the Group had undergone a very lengthy liquidation petition where the joint venture partner ("JV Partner") of a then subsidiary, namely 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da", held by Zheng Da Real Estate Development Company Limited ("HK Zheng Da", a non-wholly owned subsidiary of the Group)), had filed to the court seeking for a liquidation of GZ Zheng Da in order to recover its entitled residual assets therein. During the year ended 31 December 2023, a final court decision was made which ordered GZ Zheng Da to be liquidated and a PRC law firm was appointed as the liquidator. However, pursuant to the court order, the allocation and distribution of residual assets of GZ Zheng Da between the Group and the JV Partner was not determined, and is to be resolved via legal actions during the liquidation proceedings.

Due to the compulsory liquidation judgement of GZ Zheng Da in May 2023, the Group had lost control therein, and had deconsolidated GZ Zheng Da in the same year. As at 31 December 2025, the Group recorded its equity interest in GZ Zheng Da as a non-current financial asset at fair value through profit or loss which amounted to HK$1,005,789,000. As further explained in note 11 to the consolidated financial statements, other than the appointment of the liquidator, the legal actions surrounding the liquidation proceedings have not been substantively commenced. Accordingly, the determination of the allocation of the residual assets of GZ Zheng Da has not been concluded. Whilst the Group contends that HK Zheng Da has full entitlement to the residual assets pursuant to the joint venture agreements, there are potential legal risks that the JV Partner may claim part of the residual assets based on its basis of assets contribution (if any) in the past.

BASIS FOR QUALIFIED OPINION (CONTINUED)

Due to the significant uncertainty of the outcome of the distribution of the residual assets upon liquidation, we were unable to obtain sufficient appropriate audit evidence to assess whether any additional residual assets should be allocated to the JV Partner as at 31 December 2024 and 2025 (collectively, "dates of measurement") and, consequently, whether adjustments were necessary to the valuation of equity interest in GZ Zheng Da on the respective dates of measurement, which may impact the carrying amounts of the equity interest in an entity at fair value through profit or loss at 31 December 2025, and the fair value changes of this asset for the year ended 31 December 2025. Any adjustments as mentioned above found to be necessary would have a consequential effect on the Group's net assets as at 31 December 2025, its result for the year ended 31 December 2025 and the related elements making up the statement of changes in equity.

A qualified opinion for the above matter was also issued in our report dated 20 March 2025 on the consolidated financial statements of the Group for the year ended 31 December 2024.

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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Fair value estimation of investment property	
As at 31 December 2025, the fair value of the Group's investment property was HK$319,680,000 which represented 23% of the Group's total assets. The estimation of fair value of investment property requires management's significant judgement. Management, on an annual basis, commissions external professional valuer to appraise the fair value of the Group's investment property, and determines the fair value of the property with reference to the valuation carried out by the external professional valuer. Related disclosures about the accounting estimation and the fair value measurement of investment property are included in notes 3 and 12 to the consolidated financial statements, respectively.	We reviewed the objectivity, independence and expertise of the valuer commissioned by the Group and assessed the related data and assumptions being adopted, including unobservable inputs and other estimates, by comparing key valuation parameters including the capitalisation rate and market rent with market information. We involved our valuation specialists to assist us in reviewing the valuation methodologies and key valuation parameters on the fair value estimation of investment property. We also assessed the disclosures relating to the assumptions used in determining the fair value in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka Wing (practising certificate number: P07059).

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
30 March 2026

Consolidated Income Statement

Year ended 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
REVENUE	5	**31,293**	28,520
Other income and gain		**363**	330
Changes in fair value of investment property	12	**(34,992)**	(16,848)
Changes in fair value of equity interest in an entity at fair value through profit or loss	11	**31,096**	(55,779)
Administrative expenses		**(27,405)**	(27,577)
PROFIT/(LOSS) BEFORE TAX	6	**355**	(71,354)
Income tax credit/(expense)	8	**12,628**	(7,314)
PROFIT/(LOSS) FOR THE YEAR		**12,983**	(78,668)
Attributable to:			
Equity holders of the Company		**(14,958)**	(46,133)
Non-controlling interests		**27,941**	(32,535)
		12,983	(78,668)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
– Basic and diluted		**HK cents (1.95)**	HK cents (6.00)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 HK$'000	2024 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**12,983**	(78,668)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**7,343**	(6,305)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**20,326**	(84,973)
Attributable to:		
Equity holders of the Company	**(4,317)**	(55,398)
Non-controlling interests	**24,643**	(29,575)
	20,326	(84,973)

Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,888**	3,103
Equity interest in an entity at fair value through profit or loss	*11*	**1,005,789**	974,693
Investment property	*12*	**319,680**	339,624
Total non-current assets		**1,328,357**	1,317,420
CURRENT ASSETS			
Trade receivables	*14*	**12,177**	20,859
Prepayments, deposits and other receivables	*15*	**2,602**	1,659
Cash and cash equivalents	*16*	**59,405**	63,573
Total current assets		**74,184**	86,091
CURRENT LIABILITIES			
Trade payables	*17*	**(1,949)**	(1,844)
Other payables and accruals	*18*	**(29,160)**	(28,426)
Tax payable		**(40,772)**	(35,532)
Total current liabilities		**(71,881)**	(65,802)
NET CURRENT ASSETS		**2,303**	20,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,330,660**	1,337,709
NON-CURRENT LIABILITIES			
Due to a director	*19*	**(130,639)**	(140,882)
Long term other payables	*18*	**(45,297)**	(52,767)
Deferred tax liabilities	*20*	**(156,272)**	(165,934)
Total non-current liabilities		**(332,208)**	(359,583)
Net assets		**998,452**	978,126

Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*21*	**19,215**	19,215
Reserves	*23*	**296,884**	301,201
		316,099	320,416
Non-controlling interests		**682,353**	657,710
Total equity		**998,452**	978,126

Ho Kam Hung
Director

Young Kwok Sui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Attributable to equity holders of the Company									
	Share capital HK$'000 *(note 21)*	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 *(note 23)*	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 *(note 23)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2025	**19,215**	**17,344**	**180**	**80,258**	**54,953**	**1,172**	**147,294**	**320,416**	**657,710**	**978,126**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(14,958)**	**(14,958)**	**27,941**	**12,983**
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**10,641**	**–**	**–**	**10,641**	**(3,298)**	**7,343**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**10,641**	**–**	**(14,958)**	**(4,317)**	**24,643**	**20,326**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**128**	**(128)**	**–**	**–**	**–**
Share options lapsed	**–**	**–**	**(180)**	**–**	**–**	**–**	**180**	**–**	**–**	**–**
At 31 December 2025	**19,215**	**17,344***	**–***	**80,258***	**65,594***	**1,300***	**132,388***	**316,099**	**682,353**	**998,452**

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 *(note 23)*	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 *(note 23)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2024	19,215	17,344	180	80,258	64,218	809	193,790	375,814	687,285	1,063,099
Loss for the year	–	–	–	–	–	–	(46,133)	(46,133)	(32,535)	(78,668)
Exchange differences related to foreign operations	–	–	–	–	(9,265)	–	–	(9,265)	2,960	(6,305)
Total comprehensive expense for the year	–	–	–	–	(9,265)	–	(46,133)	(55,398)	(29,575)	(84,973)
Transfer from retained profits	–	–	–	–	–	363	(363)	–	–	–
At 31 December 2024	19,215	17,344*	180*	80,258*	54,953*	1,172*	147,294*	320,416	657,710	978,126

* These reserve accounts comprise the consolidated reserves of HK$296,884,000 (2024: HK$301,201,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Note	2025 HK$'000	2024 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**355**	(71,354)
Adjustments for:			
Interest income	*6*	**(39)**	(114)
Depreciation of property, plant and equipment	*6*	**339**	339
Changes in fair value of investment property	*6*	**34,992**	16,848
Changes in fair value of equity interest in an entity at fair value through profit or loss	*6*	**(31,096)**	55,779
		4,551	1,498
Decrease/(increase) in trade receivables		**9,405**	(21,253)
Decrease/(increase) in prepayments, deposits and other receivables		**(903)**	531
Increase in trade payables		**18**	–
Increase in other payables and accruals		**9,105**	4,534
Exchange differences on translation of foreign operations		**(1,758)**	(51)
Cash generated from/(used in) operations		**20,418**	(14,741)
Interest received		**39**	114
Overseas taxes paid		**(920)**	(1,340)
Net cash flows from/(used in) operating activities		**19,537**	(15,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in an amount due to a director and net cash flows used in financing activities		**(26,403)**	(8,455)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,866)**	(24,422)
Cash and cash equivalents at beginning of year		**63,573**	90,761
Effect of foreign exchange rate changes		**2,698**	(2,766)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**59,405**	63,573
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**59,405**	63,573

1. CORPORATE INFORMATION

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

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

The principal activity of the Company has not changed during the year and was investment holding. The principal activities of the Company's subsidiaries are set out in note 30 to the financial statements. Except for the commencement of businesses of consulting services pertaining to power collection, electrical storage, and charging solutions during the year, there were no other significant changes in the nature of the principal activities of the subsidiaries during the year.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group did not early adopted any other standard or amendment that has been issued but not yet become effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries for translation into the Group's presentation currency were exchangeable during the year, the amendments did not have any impact on the Group's financial statements.

The HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual/reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (CONTINUED)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (CONTINUED)

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

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (CONTINUED)

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

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

2.4 MATERIAL ACCOUNTING POLICIES

Investments in joint ventures

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

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

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

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

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

Related parties

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

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

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group;

or

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Impairment of non-financial assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals and amount due to a director.

Subsequent measurement

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

Financial liabilities at amortised cost (trade payables, other payables, accruals and amount due to a director)

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

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. With the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from other sources

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

Other income

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 22 to the financial statements.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

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

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

Other employee benefits

Pension schemes

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Income tax

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

As explained in note 20 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries and investee entities established in Chinese Mainland in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's subsidiaries and investee entities in the PRC that would be distributed to their respective holding companies or investors outside Chinese Mainland in the foreseeable future. Management makes assessment based on the factors which included the dividend policy and level of capital and working capital required for the Group's operations in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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

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

Estimation uncertainty

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

Fair value estimation of investment properties

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

(a) reference to independent valuations;

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

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

Further details, including the key assumptions used for fair value measurement and sensitivity analysis, are given in note 12 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

At 31 December 2025 and 2024, the equity interest in GZ Zheng Da was classified as equity interest in an entity at fair value through profit or loss and has been valued based on a discounted future cash flows as detailed in note 11 to the financial statements. The valuation requires the Group to determine several significant unobservable inputs. The Group classifies the fair value measurement of this equity interest at Level 3. Further details are contained in note 11 to the financial statements.

Legal dispute

At 31 December 2025 and 2024, the Group was subject to a potential legal claim in relation to disputes in specific assets allocation of GZ Zheng Da between the joint venture partners via the liquidation process of GZ Zheng Da. In determining whether part of the residual assets of GZ Zheng Da should be allocated to the PRC joint venture partner requires an estimation of probability that an outflow of resources embodying economic benefits is required for distributing the residual assets and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Except for those accounted for in the financial statements, no other allocation was considered necessary in the consolidated financial statements at the end of the reporting period. Disclosure of the dispute in respect of investment in GZ Zheng Da has been made in note 11 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property investment and development		Corporate and others		Total	
	2025	2024	**2025**	2024	**2025**	2024
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue *(note 5)*						
Sales to external customers	**31,293**	28,520	**–**	–	**31,293**	28,520
Segment results	**19,652**	(51,108)	**(19,660)**	(20,576)	**(8)**	(71,684)
Other income and gains					**363**	330
Profit/(loss) before tax					**355**	(71,354)
Income tax credit/(expense)					**12,628**	(7,314)
Profit/(loss) for the year					**12,983**	(78,668)
Segment assets	**1,342,780**	1,339,602	**356**	336	**1,343,136**	1,339,938
Unallocated assets					**59,405**	63,573
Total assets					**1,402,541**	1,403,511
Segment liabilities	**68,104**	71,513	**8,302**	11,524	**76,406**	83,037
Unallocated liabilities					**327,683**	342,348
Total liabilities					**404,089**	425,385
Other segment information						
Depreciation of property, plant and equipment	**244**	244	**95**	95	**339**	339
Fair value loss of investment property	**34,992**	16,848	**–**	–	**34,992**	16,848
Fair value loss/(gain) on equity interest in an entity at fair value through profit or loss	**(31,096)**	55,779	**–**	–	**(31,096)**	55,779

Geographical information

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

Information about major customer

During the year ended 31 December 2025, revenue from one customer in respect of property investment and development segment exceeded 10% of Group's total revenue, accounting for HK$31,293,000 (2024: HK$28,520,000).

5. REVENUE

An analysis of revenue is as follows:

	2025 HK$'000	2024 HK$'000
Revenue from other sources		
Income from letting of investment property	**31,293**	28,520

6. PROFIT/(LOSS) BEFORE TAX

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

	2025 HK$'000	2024 HK$'000
Depreciation of property, plant and equipment *(note 10)*	**339**	339
Lease payments not included in the measurement of lease liability *(note 32(a))*	**1,608**	1,639
Employee benefit expense (including directors' and chief executive's remuneration – *note 7*):		
Wages and salaries	**7,261**	7,148
Pension scheme contributions#	**364**	358
Total	**7,625**	7,506
Auditor's remuneration	**2,200**	2,500
Bank interest income	**(39)**	(114)
Changes in fair value of investment property *(note 12)*	**34,992**	16,848
Changes in fair value of equity interest in an entity at fair value through profit or loss *(note 11)*	**(31,096)**	55,779

At 31 December 2025, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2024: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2025				
Executive Director				
Ho Kam Hung*	**2,400**	**–**	**36**	**2,436**
Non-executive Director				
Young Kwok Sui	**282**	**–**	**–**	**282**
Independent Non-executive Directors				
Tam Kong, Lawrence	**166**	**28**	**–**	**194**
Wong Miu Ting, Ivy	**166**	**28**	**–**	**194**
Wong Kui Fai	**166**	**28**	**–**	**194**
Subtotal	**498**	**84**	**–**	**582**
Total	**3,180**	**84**	**36**	**3,300**
2024				
Executive Director				
Ho Kam Hung*	2,400	–	36	2,436
Non-executive Director				
Young Kwok Sui	282	24	–	306
Independent Non-executive Directors				
Tam Kong, Lawrence	166	41	–	207
Wong Miu Ting, Ivy	166	41	–	207
Wong Kui Fai	166	41	–	207
Subtotal	498	123	–	621
Total	3,180	147	36	3,363

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

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

Ho Kam Hung, executive director of the Company, is a member of key management personnel of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

8. INCOME TAX

	2025 HK$'000	2024 HK$'000
Current – Chinese Mainland		
Corporate income tax		
Charge for the year	**4,388**	3,868
Deferred *(note 20)*	**(17,016)**	3,446
Total tax charge/(credit) for the year	**(12,628)**	7,314

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2024: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The subsidiaries established in Chinese Mainland are subject to income taxes at a tax rate of 25% (2024: 25%).

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

	2025 HK$'000	2024 HK$'000
Profit/(loss) before tax	**355**	(71,354)
Tax at the statutory tax rates	**(1,228)**	(11,520)
Expenses not deductible for tax	**3,520**	3,493
Fair value loss/(gain) on equity interest in an entity at fair value through profit or loss	**(5,131)**	9,204
Effect of withholding tax at 10% on the distributable profits of PRC subsidiaries and a PRC entity	**(9,789)**	6,137
Tax charge/(credit) at the Group's effective rates	**(12,628)**	7,314

8. INCOME TAX (CONTINUED)

Pillar Two income taxes

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong. The Group will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted but not yet in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

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

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$14,958,000 (2024: HK$46,133,000), and the number of ordinary shares of 768,616,520 (2024: 768,616,520) outstanding during the year.

The share options outstanding during the year had an anti-dilutive effect on the basic loss per share amounts for the years ended 31 December 2025 and 2024.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
2025						
At cost:						
At 1 January 2025	8,599	545	437	372	906	10,859
Write-off	–	–	–	–	(281)	(281)
Exchange realignment	406	10	13	8	11	448
At 31 December 2025	9,005	555	450	380	636	11,026
Accumulated depreciation:						
At 1 January 2025	5,830	545	437	372	572	7,756
Provided during the year	244	–	–	–	95	339
Write-off	–	–	–	–	(281)	(281)
Exchange realignment	281	10	13	8	12	324
At 31 December 2025	6,355	555	450	380	398	8,138
Net book value:						
At 31 December 2025	2,650	–	–	–	238	2,888
2024						
At cost:						
At 1 January 2024	8,922	553	447	378	922	11,222
Exchange realignment	(323)	(8)	(10)	(6)	(16)	(363)
At 31 December 2024	8,599	545	437	372	906	10,859
Accumulated depreciation:						
At 1 January 2024	5,800	553	447	378	493	7,671
Provided during the year	244	–	–	–	95	339
Exchange realignment	(214)	(8)	(10)	(6)	(16)	(254)
At 31 December 2024	5,830	545	437	372	572	7,756
Net book value:						
At 31 December 2024	2,769	–	–	–	334	3,103

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

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

	2025 HK$'000	2024 HK$'000
Financial asset at fair value through profit or loss		
Unlisted equity interest in an entity at fair value through profit or loss, at fair value:		
Carrying amount at 1 January	**974,693**	1,030,472
Changes in fair value recognised in the income statement *(note 6)*	**31,096**	(55,779)
Carrying amount at 31 December	**1,005,789**	974,693

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

The fair value of the Group's equity interest in an entity at fair value through profit or loss is estimated by using significant unobservable inputs. The fair value measurement is categorised under Level 3. On 31 December 2025, the fair values were determined based on discounted net realisation value (i.e., discounted cash flow method from realisation of assets and settlement of liabilities of GZ Zheng Da) which have taken into account (1) the fair values of the underlying assets and liabilities of GZ Zheng Da; (2) relevant expenses, payments and tax upon disposals of the assets, in particular, the properties, according to the prevailing tax rules and other relevant law and regulations; and (3) around four to five years to recover the investment. The discount rate applied to the cash flow projections is 3.5% (2024: 3.6%). Increase in the discount rate by 1% would result in decrease in its fair value as at 31 December 2025 by approximately HK$33,286,000 (2024: HK$41,236,000). Decrease in the discount rate by 1% would result in increase in its fair value as at 31 December 2025 by approximately HK$34,765,000 (2024: HK$43,485,000).

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

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil).

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

	Valuation techniques	Significant unobservable inputs	Weighted average/range of unobservable inputs 2025	2024
Investment properties	Residual approach	Unit price per square metre	**HK$25,530 to HK$47,097**	HK$27,242 to HK$48,548
		Estimated cost to complete per square metre	**HK$6,327 to HK$8,658**	HK$6,890 to HK$9,434
		Repossession discount	**25%**	25%
Properties held for sale	Market approach	Unit price per square metre	**HK$11,895 to HK$13,406**	HK$12,020 to HK$13,547
		Repossession discount	**25%**	25%

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

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

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

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

Liquidation Petition against GZ Zheng Da

The Liquidation Dismissal Order

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

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

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

Yuefang PE submitted an appeal against the Liquidation Dismissal Order at the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") as permissible by law in August 2021. The appeal was heard at the Guangdong Court in January 2022. Ruling was made in May 2023, details of which are disclosed below.

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

Liquidation Petition against GZ Zheng Da (continued)

The Rescission Order

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

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

The Second Liquidation Notice

It appeared to the Company's attention that, inter alia, a public notice pertaining to the compulsory liquidation of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司強制清算公告) was posted by a third party named as "the Liquidator Group of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司清算組)" (the "Second Liquidation Notice") in a public domain in Chinese Mainland in August 2023. In the said notice, it was mentioned that the Guangzhou Court had appointed Guangdong Jinzhen Law Firm (廣東金圳律師事務所) (the "Second Liquidator") as the liquidator of GZ Zheng Da (the "Second Liquidation Order (第二次清算決定)") pursuant to a plead made by Yuefang PE in 2009 and a proceeding (but not ruling) directive (審理指示（但不是裁定）) granted by the Guangdong Court.

The Second Liquidator issued a receivership notice (接管公告) in September 2023 and an invalidation of official seal notice (印章作廢公告) in September 2024. HK Zheng Da filed an appeal on the identity of the liquidation petitioner, Yuefang PE, in October 2024 at the Guangdong Court and the trial was not heard as to-date. Further details and actions in response to the Rescission Order and the Second Liquidation Order are disclosed in the section headed "Management Discussion and Analysis" in the Company's annual report for the year ended 31 December 2025.

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

Liquidation Petition against GZ Zheng Da (continued)

Current Status of GZ Zheng Da

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

Notwithstanding the Second Liquidation Order remained in force, GZ Zheng Da's operation was as usual and the re-development site was leased to a third party for licensed carpark operation. Further details of the re-development plan of GZ Zheng Da are disclosed in the section headed "Property Development" as disclosed in the heading named "Management Discussion and Analysis" in the Company's annual report for the year ended 31 December 2025.

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

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

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

12. INVESTMENT PROPERTY

	2025 HK$'000	2024 HK$'000
Carrying amount at 1 January	**339,624**	369,600
Changes in fair value recognised in the income statement *(note 6)*	**(34,992)**	(16,848)
Exchange realignment	**15,048**	(13,128)
Carrying amount at 31 December	**319,680**	339,624

At 31 December 2025 and 2024, the Group's investment property represents a commercial property in Chongqing, the PRC. With reference to the nature, characteristics and risk of this property, management determined that this property should be classified as investment property.

The Group's investment property located in Chongqing, the PRC, was revalued on 31 December 2025 with reference to the valuations performed by Savills Valuation and Professional Services Limited, an independent qualified valuer, at RMB288,000,000, equivalent to HK$319,680,000 (2024: RMB320,400,000, equivalent to HK$339,624,000).

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

Fair value hierarchy

The fair values of the Group's investment property as at 31 December 2025 and 2024 are estimated by using significant unobservable inputs and the fair value measurements are categorised under Level 3.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil).

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

Class of property	Valuation techniques	Significant unobservable inputs	Weighted average of unobservable inputs	
			2025	2024
Chongqing, the PRC – Commercial property, completed	Income capitalisation approach	Capitalisation rate per annum *(note 1)*	**7%**	8%

Note:

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

12. INVESTMENT PROPERTY (CONTINUED)

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

13. INVESTMENTS IN JOINT VENTURES

	2025 **HK$'000**	2024 HK$'000
Share of net assets	–	–

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

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

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

The Group has discontinued the recognition of its share of losses of I-Mall Investments Limited and B2B Market Investments Limited because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. At 31 December 2025, the amount of the Group's unrecognised share of losses of these joint ventures was cumulatively HK$8,614,000 (2024: HK$8,614,000).

14. TRADE RECEIVABLES

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

	2025		2024	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**12,177**	**100**	13,997	67
More than 6 months but within 1 year	**–**	**–**	6,862	33
Total	**12,177**	**100**	20,859	100

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

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

At 31 December 2025, the Group had a high concentration of credit risk that arose from the exposure to one customer which accounted for 100% of the Group's total trade receivables.

The Group has applied the simplified approach to provide impairment of ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group considers the historical loss rate and adjusts for forward-looking information in calculating the expected credit loss rate. As at 31 December 2025, the Group estimated the expected loss rate of trade receivables was minimal and no ECL allowance (2024: Nil) in respect of these balances was made.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025	2024
	HK$'000	HK$'000
Prepayments	**20**	19
Deposits and other receivables	**2,582**	1,640
Total	**2,602**	1,659

None of the above deposits and other receivables were either past due or impaired as at 31 December 2025 and 2024. The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2025, the Group estimated the loss rate of these balances was minimal and no impairment (2024: Nil) in respect of these balances was made.

16. CASH AND CASH EQUIVALENTS

At the end of the reporting period, total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$56,175,000 (2024: HK$62,507,000). RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

17. TRADE PAYABLES

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

	2025		2024	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 1 year	**18**	**1**	–	–
More than 1 year	**1,931**	**99**	1,844	100
	1,949	**100**	1,844	100

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

18. OTHER PAYABLES AND ACCRUALS

	2025	2024
	HK$'000	HK$'000
Other payables	**41,582**	39,799
Accrued deferred interest on the Remaining Tranches in relation to the Acquisition *(note 30(c))*	**25,837**	25,837
Other accruals	**7,038**	15,557
Total	**74,457**	81,193
Less: Current portion	**(29,160)**	(28,426)
Non-current portion	**45,297**	52,767

The balances of other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of repayment, except for an amount of HK$45,297,000 (2024: HK$52,767,000) which is not repayable before 30 September 2027 (2024: 30 September 2026).

19. BALANCE WITH A DIRECTOR

As at 31 December 2025, the balance due to a director (the "Balance"), which is unsecured and interest-free, is due to Ho Kam Hung, a director of the Company. Ho Kam Hung has undertaken to the Company not to demand repayment of the Balance until the Group is able to generate sufficient cash inflows to meet its daily working capital requirement and in any event such repayment request will not be made on or before 30 September 2027 (2024: 30 September 2026) and, accordingly, the Balance is included under non-current liabilities.

20. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year were as follows:

Deferred tax liabilities

	Fair value adjustments on investment property		Others		Withholding taxes on PRC subsidiaries and equity interest in an entity at fair value through profit or loss		Total	
	2025 HK$'000	2024 HK$'000	**2025 HK$'000**	2024 HK$'000	**2025 HK$'000**	2024 HK$'000	**2025 HK$'000**	2024 HK$'000
At 1 January	**40,448**	46,265	**10,058**	8,888	**115,428**	113,239	**165,934**	168,392
Deferred tax charged/(credited) to the income statement during the year *(note 8)*	**(8,748)**	(4,212)	**1,521**	1,521	**(9,789)**	6,137	**(17,016)**	3,446
Exchange realignment	**1,665**	(1,605)	**517**	(351)	**5,172**	(3,948)	**7,354**	(5,904)
At 31 December	**33,365**	40,448	**12,096**	10,058	**110,811**	115,428	**156,272**	165,934

The Group has tax losses arising in Hong Kong of HK$156,000 (2024: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax, is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by those investees established in Chinese Mainland in respect of earnings generated from 1 January 2008, the directors have made an assessment based on factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. At 31 December 2025, the aggregate amount of temporary differences associated with these investees in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK$178,696,000 (2024: HK$157,855,000).

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

21. SHARE CAPITAL

	2025 HK$'000	2024 HK$'000
Authorised:		
4,000,000,000 (2024: 4,000,000,000) ordinary shares of HK$0.025 (2024: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
768,616,520 (2024: 768,616,520) ordinary shares of HK$0.025 (2024: HK$0.025) each	**19,215**	19,215

22. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 19 December 2012 and lapsed on 18 December 2022 (the "Scheme").

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

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

22. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

At as 31 December 2024, the Company had 5,000,000 share options outstanding under the Scheme. During the year ended 31 December 2025, 5,000,000 share options were lapsed. There was no share option outstanding under the Scheme as at 31 December 2025 and up to the date of these financial statements.

23. RESERVES

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

Share option reserve

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

Contributed surplus

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

Statutory reserve

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

Other reserve

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

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2025, a director's fee of HK$2,400,000 (2024: HK$2,400,000) included in accruals was settled through the balance due to a director.

(ii) During the year ended 31 December 2025, certain long term other payables of HK$13,387,000 (2024: Nil) were transferred to amount due to a director.

(iii) During the year ended 31 December 2025, certain other payables of HK$5,080,000 (2024: Nil) were transferred to long term other payables.

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

(b) Total cash outflow for leases

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

	2025 **HK$'000**	2024 HK$'000
Within operating activities	**(1,608)**	(1,639)

(c) Changes in liabilities from financing activities

	Due to a director **HK$'000**	**Long term other payables** **HK$'000**
At 1 January 2025	**140,882**	**52,767**
Changes in financing cash flows	**(26,403)**	**–**
Transfer *(note (a)(ii)* and *(a)(iii))*	**13,387**	**(8,307)**
Foreign exchange movement	**373**	**837**
Accruals *(note (a)(i))*	**2,400**	**–**
At 31 December 2025	**130,639**	**45,297**

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

25. CONTINGENT LIABILITIES

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

	2025 **HK$'000**	2024 HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**139**	139

26. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2024: two) directors, details of whose remuneration are set out in note 7 to the financial statements. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2025 HK$'000	2024 HK$'000
Salaries, allowances and benefits in kind	1,560	1,450
Pension scheme contributions	54	41
Total	1,614	1,491

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

	Number of employees	
	2025	2024
Nil to HK$1,000,000	3	3

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Financial assets at amortised cost	
	2025 HK$'000	2024 HK$'000
Trade receivables	12,177	20,859
Financial assets included in deposits and other receivables	2,582	1,640
Cash and cash equivalents	59,405	63,573
Total	74,164	86,072

27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at fair value through profit or loss	
	2025	2024
	HK$'000	HK$'000
Designated as such upon initial recognition		
Equity interest in an entity at fair value through profit or loss	**1,005,789**	974,693

Financial liabilities

	Financial liabilities at amortised cost	
	2025	2024
	HK$'000	HK$'000
Trade payables	**1,949**	1,844
Financial liabilities included in other payables and accruals	**22,121**	22,882
Due to a director	**130,639**	140,882
Long term other payables	**45,297**	52,767
Total	**200,006**	218,375

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

	2025				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	12,177	12,177
Financial assets included in deposits and other receivables					
– Normal**	2,582	–	–	–	2,582
Cash and cash equivalents					
– Not yet past due	59,405	–	–	–	59,405
Total	**61,987**	**–**	**–**	**12,177**	**74,164**

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

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 14 to the financial statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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

Liquidity risk

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

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

	2025		
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**1,949**	**–**	**1,949**
Financial liabilities included in other payables and accruals	**22,121**	**–**	**22,121**
Due to a director	**–**	**134,558**	**134,558**
Long term other payables	**–**	**46,656**	**46,656**
Total	**24,070**	**181,214**	**205,284**

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

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

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

	2025 **HK$'000**	2024 HK$'000
Due to a director	**130,639**	140,882
Total non-current assets	**1,328,357**	1,317,420
Total current assets	**74,184**	86,091
Total assets	**1,402,541**	1,403,511
Gearing ratio	**0.09**	0.10

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2025 HK$'000	2024 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**272,941**	284,315
CURRENT ASSETS		
Deposits and other receivables	**18**	18
Cash and bank balances	**31**	25
Total current assets	**49**	43
CURRENT LIABILITIES		
Other payables and accruals	**(8,392)**	(8,353)
Tax payable	**(1,148)**	(1,148)
Total current liabilities	**(9,540)**	(9,501)
NET CURRENT LIABILITIES	**(9,491)**	(9,458)
TOTAL ASSETS LESS CURRENT LIABILITIES	**263,450**	274,857
NON-CURRENT LIABILITIES		
Long term other payables	**(27,141)**	(27,141)
Due to a director	**(25,846)**	(23,646)
Total non-current liabilities	**(52,987)**	(50,787)
Net assets	**210,463**	224,070
EQUITY		
Share capital	**19,215**	19,215
Reserves (note)	**191,248**	204,855
Total equity	**210,463**	224,070

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

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2025	**17,344**	**547,326**	**180**	**(359,995)**	**204,855**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(13,607)**	**(13,607)**
Share options lapsed	**–**	**–**	**(180)**	**180**	**–**
At 31 December 2025	**17,344**	**547,326**	**–**	**(373,422)**	**191,248**
At 1 January 2024	17,344	547,326	180	(329,591)	235,259
Loss and total comprehensive expense for the year	–	–	–	(30,404)#	(30,404)
At 31 December 2024	17,344	547,326	180	(359,995)	204,855

Loss for the year during the year ended 31 December 2024 included impairment for amounts due from subsidiaries of HK$13,967,000.

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

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company 2025	2024	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited	BVI/Hong Kong	US$11,204 Ordinary	100	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	PRC/Chinese Mainland	US$2,000,000 Registered capital *(Note a)*	100	100	Property investment and management
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note b)*	100	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	100	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/Chinese Mainland	HK$1,500,000 Registered capital *(Note a)*	100	100	Investment holding
HK Zheng Da	Hong Kong	HK$4 Ordinary *(Note c)*	25	25	Investment holding
廣州遠朋新能源技術研究有限公司	PRC/Chinese Mainland	RMB1,000,000 Registered capital *(Note a)*	100	–	Research and development
廣州東朋新能源有限公司	PRC/Chinese Mainland	RMB5,000,000 Registered capital	70	–	Electric technology and servicing

The above table lists the subsidiaries of the Company at 31 December 2025 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

a. CQ Smart Hero, 廣州遠朋天成電子科技有限公司 and 廣州遠朋新能源技術研究有限公司 are wholly-foreign-owned enterprises established in the PRC.

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

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

   In accordance with the Acquisition Agreement, the second, third and fourth tranches (the "Remaining Tranches") had to be completed on or before 31 May 2008, 31 October 2008 and 31 March 2009, respectively. Should the Remaining Tranches not be completed according to the dates specified above, a deferred interest would be incurred which was calculated based on a rate of 4% per annum on the relevant consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant consideration was settled by the Company or 31 March 2009, whichever the earlier. At the end of the reporting period and up to the date of this report, the completion of the Remaining Tranches remained outstanding and the accrued aggregated deferred interest in aggregate of HK$25,837,000 (2024: HK$25,837,000) (note 18) remained unsettled.

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

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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

HK Zheng Da

	2025	2024
Percentage of equity interest held by non-controlling interests	75%	75%

	2025 HK$'000	2024 HK$'000
Profit/(loss) for the year allocated to non-controlling interests	27,849	(32,535)
Dividends paid to non-controlling interests	–	–
Exchange differences on translation of foreign operation	(3,300)	2,960
Accumulated balances of non-controlling interests at the reporting date	682,259	657,710

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

	2025 HK$'000	2024 HK$'000
Profit/(loss) for the year	37,132	(43,380)
Total comprehensive income/(expense) for the year	32,732	(39,433)
Current assets	787	786
Non-current assets	1,005,789	974,693
Current liabilities	(1,687)	(1,664)
Non-current liabilities	(95,210)	(96,868)
Net cash flows used in operating activities	(23)	(24)
Net cash flows from financing activities	23	24
Net change in cash and cash equivalents	–	–

31. RELATED PARTY TRANSACTIONS

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

(a) A licence fee of HK$1,797,000 (2024: HK$1,844,000) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis from a company owned by an executive director of the Company. As at 31 December 2025, an amount due to the related company of HK$5,080,000 (2024: HK$3,283,000) was included in "Other payables and accruals" on the consolidated statement of financial position. The balance is unsecured, non-interest-bearing and is not repayable before 30 September 2027 (2024: no fixed terms of repayment).

(b) A consulting fee of approximately HK$324,000 (2024: Nil) was received by a subsidiary of the Company for consulting services pertaining to power collection, electrical storage, and charging solutions from a company owned by an executive Director.

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

32. LEASES

The Group as a lessee

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

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

	2025 **HK$'000**	2024 HK$'000
Expense relating to short-term leases and total amount recognised in the income statement (included in administrative expenses) *(note 6)*	**1,608**	1,639

(b) The total cash outflow for lease was disclosed in note 24(b) to the financial statements.

The Group as a lessor

The Group leases its investment property (note 12) that is one commercial property in the PRC under operating lease arrangements with a term of one year (2024: one year). The terms would provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$31,293,000 (2024: HK$28,520,000), details of which are included in note 5 to the financial statements.

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2026.

Five-Year Group Financial Summary

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

RESULTS

	Year ended 31 December				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**31,293**	28,520	28,363	30,283	57,670
Profit/(loss) before tax	**355**	(71,354)	(1,739,488)	54,950	59,109
Income tax credit/(expense)	**12,628**	(7,314)	(109,870)	(20,900)	(28,128)
Profit/(loss) before non-controlling interests	**12,983**	(78,668)	(1,849,358)	34,050	30,981
Non-controlling interests	**(27,941)**	32,535	1,367,218	(30,777)	(24,170)
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**(14,958)**	(46,133)	(482,140)	3,273	6,811
Adjusted EBITDA*	**4,590**	1,612	6,060	7,447	29,301

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,402,541**	1,403,511	1,496,606	4,415,959	4,727,091
TOTAL LIABILITIES	**(404,089)**	(425,385)	(433,507)	(1,394,436)	(1,503,715)
NON-CONTROLLING INTERESTS	**(682,353)**	(657,710)	(687,285)	(2,147,553)	(2,286,206)
	316,099	320,416	375,814	873,970	937,170

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

Schedule of Property Interest

Particulars of the major property in China held by the Group as at 31 December 2025 is as follows:

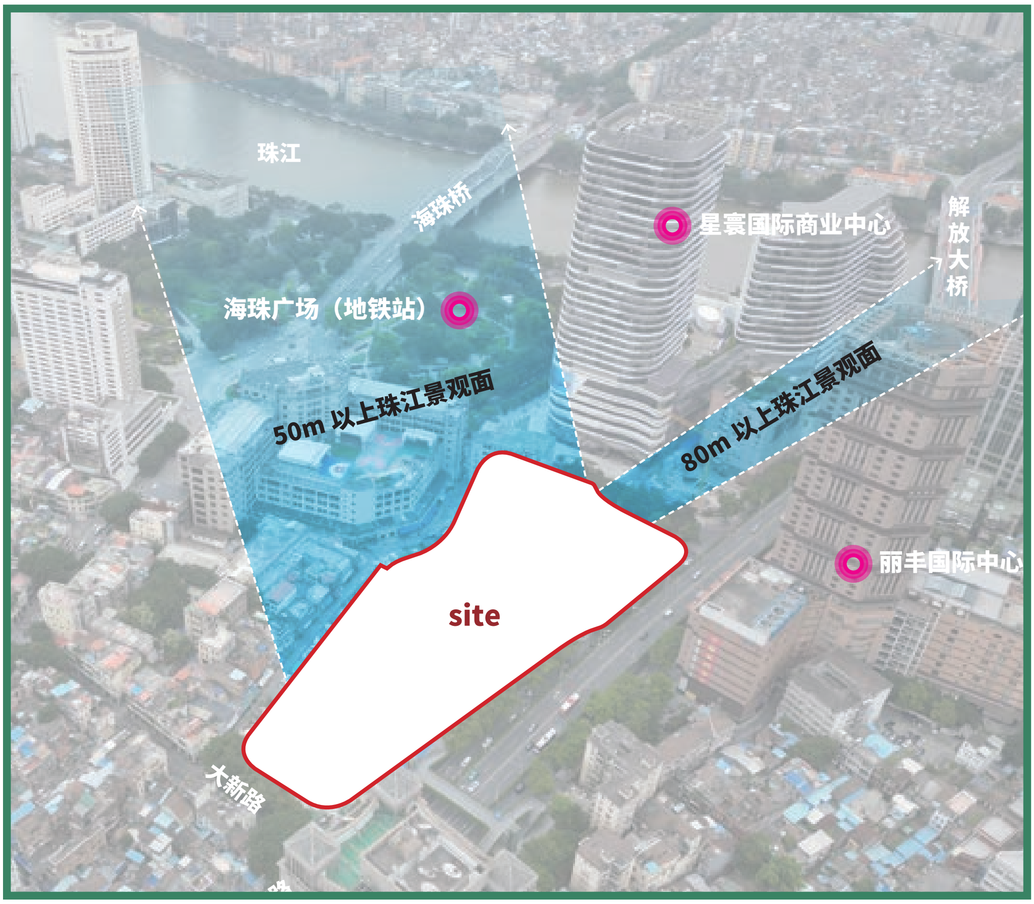
Investment Property

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

Gang Yu Square, Chaotianmen, Yuzhong District, Chongqing
重慶市渝中區朝天門港渝廣場

Entrance at 8/F, Gang Yu Square
港渝廣場八樓入口

The Re-Development Plan, Yuexiu District, Guangzhou
廣州市越秀區待發展項目



Site Map of the Re-Development Site
待發展地盤位置圖