Zhongzheng International Company Limited

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 943)

ANNUAL REPORT

2023/2024

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Liu Liyang

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

REMUNERATION COMMITTEE

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Lim Kim Chai

NOMINATION COMMITTEE

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

COMPANY SECRETARY

Mr. Situ Min

AUDITOR

ZHONGHUI ANDA CPA Limited
23/F, Tower 2, Enterprise Square Five,
38 Wang Chiu Road,
Kowloon Bay, Kowloon,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4/F North Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

BRANCH REGISTRAR

Union Registrars Limited
Suite 3301-4, 33/F,
Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1005,
Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
Hong Kong

STOCK CODE

943

On behalf of the board (the "Board") of directors (the "Director(s)") of Zhongzheng International Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2024 ("FY2023/24" or "the year").

REVIEW AND PROSPECT

Over the past year, despite encountering challenges, the Group has remained resilient and focused on key strategic actions that have positioned us for future success. While our financial performance reflects the complexities of the market, we have taken significant steps that demonstrate our commitment to improving long-term value for our shareholders.

The Group's performance for FY2023/24 was undeniably impacted by broader economic factors and sector-specific challenges. Revenue for the year declined to HK$148.5 million, compared to HK$872.9 million in the previous fiscal year. This decline was largely driven by a substantial drop in contributions from the property development segment, which delivered HK$46.7 million in revenue, down from HK$697.2 million last year. Market volatility, particularly in the Chinese real estate sector, and delays in project completions contributed to this downturn. Nevertheless, these challenges provided us with the impetus to reassess our strategic focus, streamline our operations, and strengthen our core segments.

An important milestone shortly after the year end, in July 2024, was the successful completion of the very substantial disposal of the entire interests in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "Disposal") for the consideration of HK$53.7 million. The Disposal has been a pivotal step in our strategy to enhance the Group's financial stability by reducing our debt and strengthening our liquidity. This transaction has also allowed us to concentrate our resources on more profitable and sustainable business segments to support the Group's long-term growth objectives.

Equally significant was the reinstatement of the Group's mining license in Indonesia. After a period of uncertainty, we are pleased to report that the Indonesian Government restored our mining rights in August 2023. This development allowed us to resume coal mining operations, with actual production and sales commencing in the second quarter of 2024. This achievement marks a new chapter for our coal mining project, and we anticipate that it will generate increasingly positive returns in the years ahead. The Group is committed to further optimizing this asset with our exclusive cooperative partner and ensuring that the coal mining business continues to provide strong financial contributions moving forward.

CHAIRMAN'S STATEMENT

Our healthcare and household products segment, despite facing headwinds, remains a cornerstone of the Group. Revenue for this segment amounted to approximately HK$100.3 million for FY2023/24, representing a decrease of 41.8% compared to HK$172.4 million for the previous financial year. The decline in sales was primarily due to the destocking process by certain customers to manage inventory levels after placing significantly more orders than before in late 2022 amid concerns about potential supply chain disruptions due to the Covid-19 control measures in the PRC. Despite the drop in revenue, the segment's gross profit margin improved to approximately 30.3%, up from 21.8% in FY2022/23, nearing the pre-Covid level of 33.8% achieved in 2019. This margin recovery highlights our focus on operational efficiency and cost management, which positions the segment for stronger performance as global market conditions improve. We remain optimistic that with continued research and development, alongside our efforts to explore new markets, this segment will experience growth and contribute positively to the Group's overall results in the near future.

In conclusion, while FY2023/24 presented significant challenges, our decisive actions, including the completion of the Disposal, the reinstatement of our Indonesian coal mining operations, and our ongoing efforts in the healthcare and household products segment, have laid a strong foundation for the future. We are optimistic about the path ahead and are committed to delivering long-term value for our shareholders.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our Shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staffs in the previous year.

Mr. Tam Lup Wai, Franky
Deputy Chairman and Executive Director

27 September 2024

EXECUTIVE DIRECTORS

Mr. Tam Lup Wai, Franky ("Mr. Tam")
(Deputy Chairman)
Mr. Tam, aged 76, was appointed as an executive Director of the Company on 17 December 2001 and the Chairman of the Board on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company (the "Remuneration Committee") on 3 July 2007 and the chairman of the nomination committee of the Company (the "Nomination Committee") on 29 March 2012. Mr. Tam was re-designated as the deputy chairman of the Board and ceased to be the chairman of the Nomination Committee with effect from 18 January 2018. He is also the director of the following subsidiaries of the Company, namely, Big Advanced Holdings Limited, Dongguan Weihang Electrical Product Co. Limited, eForce Management Limited, Fairform Group Limited, Fairform Manufacturing Co. Limited, New Hong Kong Industrial Co. Limited, Qesco International (HK) Limited, and Smart Guard Limited. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

Mr. Liu Liyang ("Mr. Liu")
Mr. Liu, aged 64, was appointed as an executive Director, deputy chairman of the Board, the CEO and a member of the Remuneration Committee on 19 August 2010. He was further appointed as a member of the Nomination Committee on 29 March 2012. He ceased to be the deputy chairman of Board with effect on 18 January 2018. And he ceased to be the CEO and a member of each of the Remuneration Committee and the Nomination Committee with effect from 16 July 2020. He is also the director of the following subsidiaries of the Company, namely Yixin Holdings Limited, Fastport Investment Holdings Limited and Vision South Limited. Mr. Liu has 17 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. Mr. Liu was an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the Main Board of the Stock Exchange, before February 2022.

NON-EXECUTIVE DIRECTOR

Mr. Lim Kim Chai, J.P. ("Mr. Lim")

Mr. Lim, aged 57, was appointed as a non-executive Director of the Company on 20 December 2019. He has over 19 years of experience in investment and property development business. He is the founder and the chairman of Yuk Tung Group, which focuses on the property development in Malaysia. Since the founding of the Yuk Tung Group in 2005, Mr. Lim has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd.("Pacific Memory") respectively, primarily responsible for the overall management and strategic development of the Yuk Tung Group. Mr. Lim was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 53, was appointed as an independent non-executive director ("INED") and a member of each of the audit committee (the "Audit Committee"), the Remuneration Committee and the Nomination Committee of the Company on 7 March 2014. Mr. Hau was a barrister-at-law in private practice in Hong Kong SAR from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is a solicitor.

Mr. Hau was an INED of hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), a company listed on GEM of the Stock Exchange, between March 2016 and August 2022, and an INED of Fresh Express Delivery Holdings Group Co Ltd (stock code: 1175), a company listed on the Main Board of the Stock Exchange between January and August 2022. Currently, he is an INED of China Zenith Chemical Group Limited (formerly known as Xinyang Maojian Group Limited) (stock code: 362), a company listed on the Main Board of the Stock Exchange.

Mr. Leung Chi Hung ("Mr. Leung Chi Hung")

Mr. Leung Chi Hung, aged 69, was appointed as an INED of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 13 December 2013. Mr. Leung Chi Hung was further appointed as the chairman of the Remuneration Committee on 4 June 2018. Mr. Leung Chi Hung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung Chi Hung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA).

Mr. Leung Chi Hung was an INED of WT Group Holdings Limited (stock code: 8422) between December 2017 and May 2022, and of Finet Group Limited (stock code: 8317) between February 2011 and October 2022, both being listed on GEM of the Stock Exchange; and he was also an INED of Evergreen International Holdings Limited (stock code: 238) between October 2020 and January 2022, which was a companies listed on the Main Board of the Stock Exchange. Currently, he is an INED of Daido Group Limited (stock code: 544), and REF Holdings Limited (stock code: 1631), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 58, was appointed as an INED, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 60, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Company Limited, a wholly owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing of health and household products. Mr. Sugahara has obtained a Bachelor's Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 61, joined the Group in 1998. Mr. Wong is the marketing director of Fairform Manufacturing Company Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Situ Min ("Mr. Situ")

Mr. Situ, aged 54, is currently the Company Secretary and Chief Financial Officer of the Company. Before he joined the Company in June 2019, Mr. Situ served respectively as director of investment and Chief Financial Officer of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from October 2013 to December 2018. From September 2001 to February 2013, he served as the executive director and Chief Financial Officer for the same company with former name of Wing Shan International Limited and Winteam Pharmaceutical Group Limited. Mr. Situ is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, corporate finance and corporate governance.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during and after the year ended 30 June 2024 until the date of this report.

BUSINESS REVIEW

Results for the year

Total revenue of the Group for FY2023/24 amounted to approximately HK$148,499,000, which represented an decrease of approximately 83.0% as compared to HK$872,910,000 for the year ended 30 June 2023 ("FY2022/23") as there was a decline in revenue from the property development and healthcare and household products businesses. During FY2022/23, majority of the residential units of the property development project in Dongguan City, the PRC had been delivered to buyers in July 2022, which had contributed approximately HK$697,216,000 to the revenue for FY2022/23. FY2023/24 saw revenue of about HK$46,664,000 only from the Dongguan Project. In the meantime, there was also a decline in revenue from the healthcare and household products business to approximately HK$100,278,000 (FY2022/23: approximately HK$172,421,000). The decrease was primarily due to a destocking process of certain customers.

The gross profit margin decreased to 15.5% for FY2023/24 from 29.1% for FY2022/23, which was mainly due to promotion campaign of the Dongguan Project during the first half of FY2023/24 and the continuous decline of the housing sales prices under the current stagnant Chinese real estate market.

The consolidated loss attributable to the owners of the Company amounted to approximately HK$699,345,000 as compared to the consolidated profit attributable to the owners of the Company of approximately HK$69,131,000 for FY2022/23. The loss recorded for the year was mainly attributable to (i) the decline in gross profit to approximately HK$22,989,000 (FY2022/23: approximately HK$253,687,000) due to the decline in revenue from the property development and healthcare and household products businesses for the reasons set out above; (ii) an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000 (FY2022/23: approximately 75,860,000); (iii) an impairment loss on the amount due from Chengde Jinyu of approximately HK$68,155,000 (FY2022/23: Nil); (iv) a written down of the PUD of approximately HK$196,443,000 (FY2022/23: Nil); (v) finance costs of approximately HK$191,647,000 (FY2022/23: approximately HK$84,618,000) mainly due to the overdue bank loan for the Nanjing project; (vi) an impairment of other receivables of approximately HK$65,934,000 (FY2022/23: HK$2,481,000); and (vii) share of losses of associates of approximately HK$67,537,000 (FY2022/23: approximately HK$38,208,000). The effects of the above were partially offset by the reversal of impairment loss on exploration and evaluation assets of approximately HK$31,761,000 due to reinstatement of the coal mining licence and a reduction in administrative expenses of approximately HK$9,067,000 during the year.

Set out below is the review of the businesses of the Group for FY2023/24 and the outlook of the Group's businesses for the year ending 30 June 2025.

Healthcare and household business

The business is operated through the Group's wholly-owned subsidiary namely Fairform Manufacturing Company Limited ("Fairform"). Fairform has been engaged in manufacturing of powered oral care products and hair trimming products, specialising in the production of powered toothbrushes for both adults and kids. Over the years, Fairform has continuously innovated its products with advanced features such as vibration, rotary oscillation, and sonic technology, which are manufactured in its own production facility located in Dongguan City, the PRC with an annual production capacity of over 10 million pieces of powered devices.

Fairform has established partnerships with prominent global brands in the capacity of original equipment manufacturer ("OEM") and/or a manufacturer of private label products. As an OEM, Fairform manufactures products according to the specific requirements of its customers, including design, materials, and techniques. As a private label model manufacturer, Fairform is responsible for the design and production process, while customers will market them under their own brands. Majority of the Group's products are for export and are eventually distributed in retailers.

Revenue of the healthcare and household products business for FY2023/24 amounted to approximately HK$100,278,000 representing a decrease of approximately 41.8% as compared to approximately HK$172,421,000 for FY2022/23. The segment's gross profit margin for FY2023/24 was approximately 30.3%, representing an increase of approximately 8.5% from 21.8% for FY2022/23, approaching the pre-Covid level of approximately 33.8% for the year 2019. The drop in sales was primarily due to a destocking process of certain customers which commenced in or around the beginning of year 2023 in order to manage inventory level, following the increase in their purchase orders particularly in the latter part of year 2022 driven by the concerns about potential disruptions in the supply chain resulting from Covid-19 control measures in the PRC.

During FY2023/24, U.S. remained the largest market for this segment, contributing approximately 75.4% of the revenue while Europe and the United Kingdom accounted for approximately 9.2% of the revenue, with the remaining 15.4% of the revenue derived from Hong Kong and others.

Money lending business

The Group's money lending business involves provision of loans to borrowers, including individuals, and small and medium-sized enterprises ("SMEs"). However, in view of the recent market sentiment of the business segment, the Group had not granted any new loans during FY2023/24 and does not intend to grant any new loans in the near term. The Group's current loans were granted to five borrowers engaged in (i) gold mining and trading, (ii) equity investment, and (iii) project investment. The loans were granted to the borrowers in accordance with the Group's credit policy and had loan term from 6 to 12 months and with interest rates ranging from 7% to 24% per annum. However, all of the loans have past due. Although impairment allowance for the loan receivables had already been made by the Group prior to the beginning of FY2023/24, the Group has nevertheless dedicated officer to monitor the repayment of the loans.

As at 30 June 2024, the outstanding loan receivables were approximately HK$44,054,000 (30 June 2023: HK$42,935,000). After netting of a discounting effect of approximately HK$3,315,000 (30 June 2023: HK$3,315,000) and an impairment allowance of approximately HK$36,476,000 (30 June 2023: HK$30,720,000), the total net loan receivables as at 30 June 2024 were approximately HK$4,263,000 (30 June 2023: HK$8,900,000).

Further analysis of the loans are set out below.

Loan portfolio by size

The following table sets forth the distribution of the outstanding loan receivables under the money lending business and the number of borrowers by size as at the dates indicated:

	30 June 2024			30 June 2023		
	Number of borrowers	***HK$'000***	***%***	*Number of borrowers*	*HK$'000*	*%*
Outstanding loan receivables:						
Up to HK$5,000,000	**2**	**8,000**	**18.2**	2	8,000	18.6
Over HK$5,000,000 to HK$10,000,000 (inclusive)	**2**	**16,263**	**36.9**	2	15,144	35.3
Over HK$10,000,000	**1**	**19,791**	**44.9**	1	19,791	46.1
Total	**5**	**44,054**	**100.0**	5	42,935	100.0

Loan portfolio by security

The Group's loan receivables under the money lending business consist of unsecured loans and collateral-backed loans. The following table sets forth the loan portfolio by security as at the dates indicated:

	30 June 2024		30 June 2023	
	HK$'000	***%***	*HK$'000*	*%*
Outstanding loan receivables:				
Unsecured loans	**41,054**	**93.2**	39,935	93.0
Collateral-backed loan - property ownership right	**3,000**	**6.8**	3,000	7.0
Total	**44,054**	**100.0**	42,935	100.0

Maturity profile of loan portfolio

The following table sets forth the maturity profile of the Group's loans under the money lending business based on the contractual maturity date of the principal amount as of the dates indicated:

	30 June 2024		30 June 2023	
	HK$'000	*%*	*HK$'000*	*%*
Outstanding loan receivables:				
Past due	**44,054**	**100.0**	42,935	100.0
Due within three months	**–**	**–**	–	–
Total	**44,054**	**100.0**	42,935	100.0

Coal mining business

PT Bara Utama Persada Raya ("PT Bara"), a 99.98%-owned subsidiary of the Company, holds the Mining License in respect of the coal mine ("PT Bara Mine") in the Central Kalimantan Province in the Republic of Indonesia. On 22 April 2022, PT Bara was notified by the Indonesian Government that the Mining License has been revoked and declared invalid with effect from the same date. In June 2022, PT Bara submitted an application for the reinstatement of the Mining License (the "Reinstatement Application") to the relevant authorities. Having considered certain factors, including but not limited to the lapse of time from the making of the Reinstatement Application, in March 2023, the legal adviser to PT Bara had advised that they were of the opinion that the chance of the reinstatement of the Mining License would be remote. In this light, the management of the Company considered it appropriate to impair in full the carrying value of the Mining License for the eighteen months ended 30 June 2022. Despite this, the management of the Company has been continuously pursuing with the relevant authorities on the status of the Reinstatement Application.

On 24 August 2023, PT Bara was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled (the "Notice"). On 7 September 2023, PT Bara entered into an exclusive cooperation agreement (the "Exclusive Cooperation Agreement") with PT Nusantara Energi Thermal ("PT NET"). Pursuant to the Exclusive Cooperation Agreement, PT NET shall carry out all production activities which include pre-production, production, sales and post-production operations and bear all costs relating to the aforesaid operations including but not limited to operating costs, land acquisition costs, reclamation and infrastructure costs, taxes and other government expenses for a period of five years. PT NET shall be entitled to the value of sales of coal production but shall be obliged to pay royalty fees to PT Bara in accordance with the terms of the Exclusive Cooperation Agreement.

On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government. Coal production commenced in April 2024 with first coal sales in May 2024, recording a royalty fees revenue of approximately HK$300,000 for FY2023/24. Due to the coal mine project being located in a tropical region and the rainy season having continued since the commencement of the mining, the production progress has been severely affected, which has in turn hindered the sales. However, since the reinstatement of the Mining Licenses has been completed and the coal production and sales have commenced as planned, the Group engaged an independent valuer to perform a valuation on the exploration and exploitation rights of the coal mining business, and a reversal of impairment losses of approximately HK$31,761,000 for FY2023/24 was recognised based on the valuation.

During FY2023/24, operating expenses related to the coal mining business segment charged to the consolidated statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$688,000 for FY2023/24 (FY2022/23: approximately HK$758,000). The segment loss without including the reversal of impairment was approximately HK$487,000 for FY2023/24 (FY2022/23: approximately HK$758,000).

The coal resource estimates as at 30 June 2024 were as follows:

	Coal Resource Estimate *(in thousand tonnes)*			
JORC Category	**As at 30 June 2024**	As at 30 June 2023	**Change in %**	**Reason of change**
Measured	**8,675**	8,705	-0.35%	Coal production commenced
Indicated	**11,537**	11,537	Nil	N/A
Inferred	**6,097**	6,097	Nil	N/A
	26,309	26,339		

Property projects in the PRC

During the year, the Group had interests in three property projects in the PRC, being two property development projects located in Nanjing City (the "Nanjing Project") and Dongguan City (the "Dongguan Project") respectively, and a primary land development project in Luanping County, Chengde City (the "Luanping Project").

On 6 May 2024, the Group entered into an agreement with Mr. Lim Kim Chai (the "Purchaser") (a non-executive Director and a substantial shareholder of the Company) to sell to the Purchaser (i) the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "Disposed Company") for a consideration of approximately HK$53.7 million; and (ii) the aggregate amount (including principal and interest) owed by Shenzhen Zhongzheng Ruifeng Management Co., Ltd to the Company for a nominal consideration of HK$1 (the "Disposal"). The Disposed Company held the Group's interest in the aforesaid property projects in the PRC. Details of the Disposal are disclosed in the Company's announcement dated 6 May 2024 and circular dated 28 June 2024.

Completion of the Disposal took place in July 2024, following which the Group is no longer engaged in the property projects in the PRC. Set out below is the business overview of the three property projects in the PRC during FY2023/24.

Property development

Dongguan Project

During the year, the Group held 100% interest in the Dongguan Project. The Dongguan Project is called CITIC•Cloud Courtyard* (中證•雲庭) and is located in the Nancheng District, Dongguan City, the PRC. It is a small-scale property development project which comprises two composite buildings comprising 242 residential units and 72 commercial units with saleable GFA of approximately 23,280 sq. m. and 4,969 sq. m., respectively, and 178 car parking spaces in a two-storey carpark basement. Pre-sale of the residential units of the Dongguan Project began in November 2020. Construction of the project was completed by July 2022 and majority of the residential units had been delivered to the buyers in July 2022.

During FY2023/24, the Dongguan housing market remained challenging, leading to intense competition among property projects available for sale in the area. The Group sold 20 residential units, 1 commercial unit, and 15 parking spaces and recorded revenue of approximately HK$46,664,000, as compared to HK$697,216,000 for FY2022/23 when the majority of the residential units had been delivered in July 2022. As at 30 June 2024, the property held for sales amounted to approximately HK$154,822,000 which included (i) 17 unsold residential units, (ii) 3 contracted but not delivered residential units, (iii) 71 commercial units and (iv) 163 car parking spaces.

The Nanjing Project

During the year, the Group held 51% interest in the Nanjing Project. The Nanjing Project is called Spring Breeze* (泉悦春風) and is located in Naishan ecological scenic area of Long Pao New City, Jiangbei New Area, Nanjing City, the PRC. This project is a large-scale property development project designed to build in three phases, encompassing low-rise residential units, commercial buildings, hotel apartments/serviced apartments and other ancillary facilities. The total GFA of the project is approximately 340,000 sq. m.

Pre-sale of residential units of the Nanjing Project for phase one of the project had commenced in June 2020. However, the construction work for phase one has been suspended since August 2022 due to insufficient funding. As at 30 June 2024, the project company engaging in the Nanjing Project (the "Nanjing Project Company") had entered into sale and purchase agreements in respect of 42 residential units, representing approximately 15.5% of the total saleable GFA of the phase-one residential units with aggregate contracted amounts of approximately RMB150.5 million. Despite the temporary suspension, the Nanjing Project Company was endeavoring to resume construction work for phase one as soon as possible.

The operations of the Nanjing Project Company were primarily funded by bank and other borrowings. The Nanjing Project Company has defaulted on the scheduled settlement of a bank loan in the principal amount of approximately RMB319.7 million since October 2022. The bank loan was secured by all the properties under development for sales held by the Nanjing Project Company and the entire equity interest in the Nanjing Project Company (including the 51% indirectly held by the Group). The Group had been engaging in negotiations with the bank on the repayment plan, however, no agreement has been reached thus far. Other financing had been sought by the Group to replace the defaulted bank loan, but to no avail. In November 2023, the entire equity interest in the Nanjing Project Company (including the 51% indirectly held by the Group) has been frozen by the court, and in December 2023, a judgement was issued by the court ordering that, among other things, the Nanjing Project Company shall repay the bank loan together with the interest, default charge, default interest and compound interest thereof to the bank, and the bank shall have the preferential rights to be paid off with the proceeds from the auction or sale of charged properties including the entire equity interest in the Nanjing Project Company. According to a public notice dated 27 December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services), the said bank had disposed of the bank loan as non-performing assets. As at 30 June 2024, the Nanjing Project Company has not been notified by any parties of the actions (if any) that may be taken by the purchaser of the said bank loan regarding the securities pledged under the bank loan.

In estimating the net realisable value of the PUD of the Nanjing Project as at 30 June 2024, the Group allocated the consideration for the Disposal to the assets (other than PUD) and liabilities disposed of, with residual value being allocated to the PUD. On this basis, a written down of PUD of approximately HK$196,443,000 was recognised during FY2023/24.

Primary land development

The Company held 42.5% equity interest in Chengde Jinyu, a company which in turns holds 90% equity interest in Chengde CITIC Securities Urban and Rural Development Co., Ltd.* (承德中證城鄉開發有限公司) ("Chengde Development"), which is the project company of the Luanping Project. The Luanping Project was intended to consist of two phases, with Phase one expected to cover a development land area of approximately 12,000 mu (畝) and be completed within 8 years (8 November 2016 to 7 November 2024). The detailed planning of the second phase of the Luanping Project was yet to commence.

The operations of all property development projects in the Luanping County, including the Luanping Project, were suspended by the local government in 2019 to address certain ecological and environmental issues in the area and no land auctions were held for any land developed by Chengde Development in the same year. The government had resumed some land auctions in 2020 but the sale activities were severely affected and delayed due to the impact of the Covid-19 pandemic and challenges in the real estate market. Since 2021, except for 6 mu of land assigned to the government as allocated land (劃撥用地) for public utilities use, no land developed by Chengde Development was successfully sold/put on for land auction by the government.

In 2022, the Luanping government has launched the "Chaohe River Basin (Luanping Section) Ecological Governance and Rural Revitalisation Integrated Development Project" (潮河流域(灤平段)生態治理與鄉村振興產業融合發展) (the "EOD Project") with the objective of developing the region for different facets of industries, hand in hand with ecological and environmental governance emphasis. It was noted that the tender of the EOD Project has been awarded to a consortium led by a state-owned construction enterprise in January 2024. No detailed information about the implementation plan for the EOD Project is available to the Group yet, however, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. If the land developed by Chengde Development were to be used for the EOD Project, they may be sold in future land auctions at a price significantly lower than previously estimated based on residential and commercial usage under the Luanping Project. This being the case, on the other hand, there is currently no indication of future land auctions of land developed by Chengde Development by the Luanping government in the near term.

In light of the above, the recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by Chengde Development and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017, and such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000.

As Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK$68,155,000 was recognised in respect of the amount due from Chengde Jinyu.

Investment in the property development project at Port Dickson, Malaysia

The Group holds a 35% equity interest in Pacific Memory Sdn Bhd ("Pacific Memory") which is accounted for as an associate. It is engaged in commercial development at Port Dickson, Malaysia with facilities including a hotel, yacht club, event venues and retail spaces and related amenities. The development plan has been submitted for approval to the relevant government agencies and part of the plan relating to the construction of berths has already been approved and completed. Currently, the management is in the process of finalizing the sales and marketing plans in collaboration with a business consultant specifically for the berths facilities area.

Prospect

Healthcare and household products business

Based on the current market situation and strategic focus, the Group adopts a cautiously optimistic outlook for Fairform's future performance in the upcoming year.

Driven by growing environmental consciousness globally, it is likely that the decline in sales of disposable powered toothbrushes with non-replaceable batteries may continue in the near future. Nevertheless, the Group is well-prepared for this potential development. In fact, the Group has already developed products which are more eco-friendly, such as rechargeable powered toothbrushes with replaceable heads. With its strong in-house research and development capabilities and adaptability to market trends and long-term relationship with key customers, the Group is confident that it could work with its customers to develop products that meet consumer's needs and adapt to any change in market trend.

The Group anticipated that sales will regain momentum as the destocking effect diminishes and customers gradually replenish their inventory levels in preparation for the holiday season in the latter half of the year 2024. Such momentum is expected to continue in response to the Federal Reserve interest rate cuts in the second half of 2024. Lower borrowing costs will potentially boost consumers' discretionary spending on personal care products like electric toothbrushes. However, the full impact of these rate cuts on consumer spending will take time to materialise, with effects likely becoming more noticeable in 2025.

Fairform is currently prioritising the development and launch of the sonic-oscillation powered toothbrush (the "Sonic-Oscillation PTB"), a new powered toothbrush with both sonic and rotary oscillation functions, the combination of which creates a dynamic brushing action for effective plaque removal from teeth and along the gumline. As Fairform continues to refine the Sonic-Oscillation PTB based on feedback from potential customers, the Group expects mass production of this product to commence in the fourth quarter of 2024, with a full-scale global launch in 2025. The Group remains confident that this product will drive significant market penetration, particularly in the U.S. and European markets, where discussions with potential retail partners are ongoing. Meanwhile, potential opportunities in the global markets are also under exploration, particularly via online business-to-business ("B2B") and retail platforms. Fairform is also developing other new products such as sonic powered toothbrush with more appealing design and exploring business opportunities to market them via online business-to-consumer platforms.

Money lending business

The Group will keep monitoring the repayment schedules of the existing loans and interests receivables. In view of the recent market sentiment, the Group will not grant further new loans in the near future.

Coal mining business

As the area of the coal mining project gradually transitions from the rainy season to the dry season, and coal-importing countries (such as the PRC) are entering the autumn and winter months that will lead to higher demand for coal, the management believes that the Group's coal production and sales in the coming financial year will significantly exceed current levels.

Liquidity and Financial Resources

Cash position

As at 30 June 2024, the Group had cash and bank deposits of approximately HK$20,135,000 (30 June 2023: HK$41,427,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK$16,131,000 (30 June 2023: HK$36,812,000).

Current ratio

As at 30 June 2024, the Group had net current liabilities of approximately HK$473,718,000 (30 June 2023: net current assets of approximately HK$68,305,000) and current ratio (being current assets over current liabilities) of 0.78 (30 June 2023: 1.03).

Debts and borrowings

As at 30 June 2024, the Group had total debts and borrowings of approximately HK$1,344,401,000 (30 June 2023: HK$1,363,956,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio being total debt and borrowings over total equity is 1,168.5% (30 June 2023: 141.7%).

Exposure to fluctuation in exchange rates, interest rates and related hedges

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profile of the Group's borrowings is mainly at fixed rates. The Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk as the Management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

Fund raising activities

The Company has not conducted any fund raising activities in the year ended 30 June 2024.

Significant investments held, material acquisitions and disposal of subsidiaries

As disclosed in the section headed "Business Review – Property projects in the PRC" above, on 6 May 2024, the Group entered into an agreement with the Purchaser to sell to the Purchaser (i) the entire equity interest in the Disposed Company for a consideration of approximately HK$53.7 million, which should be satisfied by the Purchaser by offsetting against the outstanding interest accrued on the shareholder's loans owed by the Company to him up to the date of the agreement on a dollar for dollar basis; and (ii) the aggregate amount (including principal and interest) owed by Shenzhen Zhongzheng Ruifeng Management Co., Ltd to the Company for a nominal cash consideration of HK$1. The Disposed Company held the Group's interests in the property projects in the PRC. Details of the Disposal are disclosed in the Company's announcement dated 6 May 2024 and circular dated 28 June 2024. All the conditions precedent under the Disposal Agreement have been fulfilled and completion took place on 22 July 2024. The Group has since no longer engaged in the property projects in the PRC.

Pledge of assets

As at 30 June 2024, certain land and buildings, amounted to approximately HK$56,642,000 (as at 30 June 2023: approximately HK$56,612,000) of the Group were pledged to secure banking facilities granted to the Group. No trade and bills receivables of the Group (as at 30 June 2023: nil) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK$1,049,592,000 (as at 30 June 2023: HK$1,249,032,000) were pledged to secure bank borrowings granted to the Group.

Material contingent liabilities

The Group had no material contingent liabilities as at 30 June 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had 20 employees (as at 30 June 2023: 19) in Hong Kong, 567 employees (as at 30 June 2023: 567) in the PRC and 1 employee (as at 30 June 2023: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

On 22 July 2024, the Disposal as disclosed in the section headed "Significant investments held, material acquisitions and disposal of subsidiaries" above was completed and the Group have divested all its property projects in the PRC following the Disposal.

Upon completion of the Disposal, the Purchaser has extended the repayment date of the principal of the unsecured shareholder's loans owed by the Company to him in the principal amount of HK$250 million (plus accrued interest) from 31 December 2024 to 31 December 2027.

Save as disclosed above, there are no important events affecting the Group which have occurred after 30 June 2024 and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no future plans for material investments or acquisition of capital assets as at 30 June 2024.

DIVIDENDS

The Board does not recommend any dividend for the year (year ended 30 June 2023: Nil).

THE VIEW OF THE MANAGEMENT OF THE COMPANY, THE BOARD, AND THE AUDIT COMMITTEE OF THE BOARD ON THE AUDITORS' OPINION

The management of the Company (the "Management"), the Board and the audit committee of the Board (the "Audit Committee") note the qualified opinion of the Auditors and basis of such qualified opinion and would like to set out below their response thereto, including but not limited to the Company's plans to address the qualifications:

In respect of the qualified opinion

1. ***Exploration and evaluation assets***

   The Auditors have considered that, due to the lack of valuation or other evidence available for them to verify the nil balance of the exploration and evaluation assets at 30 June 2023, they were unable to obtain sufficient appropriate audit evidence to satisfy themselves the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 and as to appropriateness of the recognition of the related impairment/reversal of the impairment losses of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income for the years ended 30 June 2023 and 30 June 2024, respectively. Therefore, they have qualified its audit opinion in this regard.

   View of the Management

   Despite coal production and sales have commenced in the first half of 2024 and the reinstatement of the Mining License has been completed and the recoverable amount of the Mining License has been ascertained based on a valuation of the exploration and exploitation rights assessed by an independent value, the Management acknowledges the basis of the Auditors' qualified opinion on the value of the exploration and evaluation assets as at 30 June 2023 and the impairment of these assets for the year ended 30 June 2023, and hence the Auditors were unable to ascertain the reversal of the impairment losses made for 30 June 2024. This qualification arises from prior year's audit limitation, which has affected the comparative figures. In light of these circumstances, the Management accepts the Auditors' qualified opinion on this matter.

View of Audit Committee

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the impairment/reversal of impairment losses of the exploration and evaluation assets for the years ended 30 June 2023 and 30 June 2024 respectively. In the meanwhile, having taken into account prior year's audit limitation affecting comparative figures, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion

Since the reinstatement of the Mining License has been completed and the recoverable amount of the Mining License has been ascertained based on a valuation of the exploration and exploitation rights assessed by an independent valuer, the Management is of the view that this qualified opinion has been fully addressed.

2. Interest in an associate and amount due from an associate

The Auditors have expressed concerns regarding Chengde Jinyu's ability to continue as a going concern, as it relies on future land sales and additional financing. The Auditors have been unable to gather sufficient audit evidence to satisfy themselves as to whether the interest in an associate as at 30 June 2024 and 30 June 2023, share of loss, share of associate's exchange differences on translating foreign operations and the impairment on interest in an associate for each of the years ended 30 June 2024 and 2023, as well as the related disclosure notes in relation to Chengde Jinyu, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. Furthermore, the Management has been unable to access complete accounting books and records of Chengde Jinyu, as its business operations were temporarily suspended from February 2023.

In addition, the Auditors are unable to ascertain (i) the accuracy of the amount due from Chengde Jinyu of approximately HK$235,994,000 and HK$292,616,000 as at 30 June 2024 and 2023 respectively, (ii) whether the impairment loss on amount due from an associate of approximately HK$68,155,000 have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 30 June 2024 and whether any impairment loss should be recognised for the year ended 30 June 2023 and (iii) the validity of the interest income of approximately HK$10,403,000 and HK$14,386,000 recognised for the years ended 30 June 2024 and 2023 respectively. As such, they have qualified its audit opinion in this regard.

View of the management of the Company

The Management considers the impairment loss made on the interest in Chengde Jinyu of approximately HK$288,775,000 for the year ended 30 June 2024 to be reasonable. The recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by the project company of Chengde Jinyu and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017, and such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000. In addition, as Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK$68,155,000 was recognised for the year ended 30 June 2024 in respect of the amount due from Chengde Jinyu.

The Management acknowledges that Chengde Jinyu's ability to continue as a going concern relies on the future sales of land and additional financing. Furthermore, Chengde Jinyu temporarily suspended its business operations starting from February 2023. In light of these circumstances, the Management acknowledges the basis of the aforesaid qualification by the Auditors. The Management also accepts the Auditors' qualified opinion on this matter.

View of Audit Committee

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's basis of the impairment loss made on the interest in and the amount due from Chengde Jinyu. In the meanwhile, having taken into account the temporary suspension of business operation of Chengde Jinyu as well as the uncertainty in the resumption of land auction for the Luanping Project, the Audit Committee also agrees with the Management's position on, and accepts the basis of, the qualified opinion of the Auditors in these regards.

The Company's proposed plan to address the qualified opinion

Subsequent to the year-end date, in July 2024, the Group completed the disposal of its entire interests in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "**Disposal**"). The Group ceased to have any interests in and amount due from Chengde Jinyu after completion of the Disposal. The Management is of the view that this qualified opinion has been fully addressed.

3. ***Properties under development for sales***

Subsequent to the year-end date, the Group completed the Disposal for the consideration of HK$53.7 million. In estimating the net realisable value of the properties under development for sales, the Group allocated the consideration to the assets (other than properties under development for sales) and liabilities disposed of, with the residual value being allocated to the properties under development for sales. As the Auditor is unable to obtain sufficient appropriate audit evidence for the accuracy of the carrying amounts of the interest in Chengde Jinyu, the amount due from Chengde Jinyu and certain bank borrowings as at 30 June 2024, the Auditors have qualified their audit opinion regarding the value of properties under development for sales as at 30 June 2024 and 2023 and the written down of properties under development for sales for each of the years ended 30 June 2024 and 2023 respectively.

View of the management of the Company

The Management considers the estimation of the net realisable value of the properties under development for sales based on the residual value of the consideration after allocation to other assets and liabilities, and the resultant written down to be reasonable. Notwithstanding the above, the Management acknowledges the basis of the qualification by the Auditors in respect of the properties under development for sales, and accepts the Auditors' qualified opinion on this matter.

View of Audit Committee

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the properties under development for sales. In the meanwhile, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion

Subsequent to the year-end date, in July 2024, the Group completed the Disposal and ceased to have any interests in the properties under development for sales. The Management is of the view that this qualified opinion has been fully addressed.

4. ***Other receivable***

The Auditors have qualified their audit opinion regarding recoverability of the Receivable (as defined in the Auditors' opinion) as at 30 June 2024 and 2023, due to the uncertainty of the outcome of the further actions taken by the Management.

View of the management of the Company

The Management has taken necessary step of initiating legal proceedings to recover the Receivable. The Management has also considered selling the Receivable to a debt collection company/asset management company due to the considerable amount of fess and time involved in the legal proceedings. However, since the outcome of the further actions taken by the Management is uncertain, the Management acknowledges the basis of the qualification made by the Auditors regarding the recoverability of the Receivable, and accepts the Auditors' qualified opinion on this matter, recognising the uncertainty surrounding the final recovery of the Receivable until the legal proceedings are resolved or the Receivable could be sold.

An impairment loss of HK$65,934,000 on the Receivable has been recognised for the year ended 30 June 2024 after taking into account the expected credit loss measured by an independent valuer.

View of Audit Committee

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the Receivable. Meanwhile, having taken into account the uncertainty regarding the outcome of further actions to be taken, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion

The Group has been engaging legal advisers to continue the legal proceedings to recover the Receivable. Due to the considerable amount of time, works and fees required in the legal proceedings, in order to resolve the matter effectively and maximise shareholders' value, the Group has also considered other alternatives including disposal of the Receivable. During the year, the Group has discussed with professional parties and tried to identify potential buyers and approached debt collection agents. So far no significant result has been achieved. The Group will continue to work on effective solutions, including searching for interested buyer for the Receivable. If the legal proceedings are resolved or the Receivable could be disposed, the issue relating to qualification (d) shall be addressed.

5. ***Borrowings***

The Auditors have qualified their audit opinion regarding the amount of bank borrowings and the related finance cost as no feedback is received from the bank nor the buyer of non-performing loans to ascertain the existence, completeness and accuracy of bank borrowings as at 30 June 2024 and the completeness and accuracy of the related finance costs for the year ended 30 June 2024.

View of the management of the Company

Despite that the Group was trying to contact with the bank and the buyer of non-performing loans, no feedback is received from them. Under the circumstances, the Management acknowledges the basis of the qualification made by the Auditors regarding the amount of bank borrowings and related finance costs. The Management also accepts the Auditors' qualified opinion on this matter.

View of Audit Committee

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the matter and also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion

The aforesaid bank borrowings are related to a subsidiary of Hong Kong Zhongzheng City Investment Limited which has been disposed of subsequent to the year-end date as mentioned above. Therefore, the Management is of the view that this qualified opinion has been fully addressed after the said disposal.

In respect of the material uncertainty related to going concern

The Directors have carefully considered the future liquidity and performance of the Group. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

(a) In respect of the current portion of bank and other borrowings amounted to approximately HK$1,037.6 million as at 30 June 2024:

   i. Certain borrowings of approximately HK$1,030.3 million were incurred by subsidiaries of Hong Kong Zhongzheng City Investment Limited which has been disposed of subsequent to the year-end date as mentioned above;

ii. Secured bank borrowings of approximately HK$4.9 million are related to the healthcare and household products business segment, and the Group has a long-standing relationship with the bank and is confident that the borrowings can be renewed when they fall due; and

iii. Certain borrowings of approximately HK$2.4 million are due to two companies which have long-term relationship with the Company.

(b) For the healthcare and household products business, the Group is cautiously optimistic in the outlook for this segment for the next 12 months and beyond given the more responsive go-to-market strategies and product innovations. Sales of the powered toothbrush products are expected to pick up in the coming year as destocking effect of customers diminishes and the additional cashflow to the Group to be brought by the full-scale launch of the new product. On the other hand, the Group continues to adopt revolutionary production designs, gear for automation in production in order to optimize greatest cost efficiency in output and quality. As such, the operating cash flows and financial position will be further improved; and

(c) The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this report. After taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

INTRODUCTION

The Board of the Company commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix C1 of the Listing Rules throughout the year ended 30 June 2024. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

During the year ended 30 June 2024, the Company has applied and complied with all provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 of the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the year ended 30 June 2024.

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control. Day-to-day operations of the Group are the responsibility of the Company's management.

Following is the list of directors during the year under review:

Executive Directors

Mr. Leung Chung Shan *(Chairman)* (resigned on 15 December 2023)
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO)* (retired on 20 July 2023)
Mr. Liu Liyang

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

The profiles of the directors' qualifications and experience are set out on pages 5 to 8 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

All Non-executive directors were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. According to Bye-laws 87, "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 less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.".

DIVERSITY

The Board has adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to achieve diversity on the Board. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity.

Based on the Nomination Committee's review, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

Currently, all members of the Board and senior management are male, and among the employees of the Group, the ratio of male to female staff was approximately 1:1.13. The Board is considering to appoint at least one female Board member in order to achieve gender diversity at Board level.

The Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis in accordance with the code provision B.1.3 of the CG Code.

DIRECTORS' TRAINING

The Company had arranged and funded suitable training for the directors to attend during the period under review. During the year ended 30 June 2024, all directors had participated in continuous professional development to refresh their knowledge and skills and had provided the records of the training they received to the Company. The following table summarises the continuous professional development of each director had during the year ended 30 June 2024:

	Continuous professional development: seminars/trainings on relevant industrial development, regulatory updates or other relevant topics on directors' duties
Executive Directors	
Mr. Tam Lup Wai, Franky	✓
Mr. Liu Liyang	✓
Non-executive Director	
Mr. Lim Kim Chai, J.P.	✓
Independent Non-executive Directors	
Mr. Hau Chi Kit	✓
Mr. Leung Chi Hung	✓
Mr. Li Hon Kuen	✓

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. As at the date of this annual report, the Audit Committee comprises three INEDs:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

The Audit Committee has adopted terms of reference which are in line with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, re-appointment or removal of the external auditor.

During the year ended 30 June 2024, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. As at the date of this annual report, the Remuneration Committee comprises three INEDs, and a non-executive director:

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Lim Kim Chai

The Remuneration Committee has adopted terms of reference which are in line with the CG Code and the model described in code provision E.1.2(c)(ii) of the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The major functions of the Remuneration Committee are: to make recommendations to the Board on the remuneration packages of individual directors and senior management; to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and to ensure that no director or any of his associates is involved in deciding his own remuneration.

During year ended 30 June 2024, the Remuneration Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 14 to the financial statements.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. As at the date of this annual report, the Nomination Committee comprises three INEDs:

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

The Nomination Committee has adopted terms of reference which are in line with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The major roles and functions of the Nomination Committee are: (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the Board on the appointment or re–appointment of directors and succession planning for directors, in particular the chairman and the chief executive of the Company.

During year ended 30 June 2024, the work performed by the Nomination Committee mainly included: (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; and (iii) reviewed and assessed the implementation of the Board Diversity Policy during the year.

Director Nomination Policy

The Board has adopted a nomination policy (the "Director Nomination Policy") which sets out the criteria and process in the nomination and appointment of Directors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure Board continuity and appropriate leadership at the Board level. The Board has delegated its responsibilities and authority for selection and nomination of Directors to the Nomination Committee in accordance with its terms of reference. Below is the summary of the Director Nomination Policy:

(1) Selection Criteria

The Nomination Committee shall identify and nominate qualified individual(s) for appointment as additional Director(s) or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individuals shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CG Code and Appendix C1 of the Listing Rules. In evaluating and selecting any candidate for directorship, the following criteria should be considered: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity aspects under the Board Diversity Policy including gender, age (18 years or above), cultural and educational background, racial, professional experience, ethnicity and length of service; (in case of independent non-executive directors) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

(2) Nomination Process

(a) Appointment of New Director

(i) The secretary to the Nomination Committee (being the company secretary of the Company according to its terms of reference) shall call for a meeting of the Nomination Committee when he or she receives nominations of candidates from Board members or put forward candidates who are not nominated by any Board member.

(ii) The Nomination Committee should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria listed above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company, the criteria listed above and reference check results of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation(s) to the Shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria listed above.

(iii) The Nomination Committee and/or the Board should then make recommendation(s) to Shareholders in respect of the proposed re-election of director(s) at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to the Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Company's policies and practices on corporate governance;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(v) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD, COMMITTEES AND OTHER MEETINGS

The following table summarises the total number of the meetings and the individual attendance of each director during the year ended 30 June 2024:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	AGM held on 20 Jul 2023	AGM held on 22 Dec 2023
Executive Directors						
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Liu Liyang	9/9	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Lim Kim Chai, J.P.	5/9	N/A	1/1	N/A	1/1	1/1
INEDs						
Mr. Leung Chi Hung	9/9	2/2	1/1	1/1	1/1	1/1
Mr. Hau Chi Kit	7/9	2/2	1/1	1/1	1/1	1/1
Mr. Li Hon Kuen	9/9	2/2	1/1	1/1	1/1	1/1

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

COMPANY SECRETARY

Mr. Situ Min had undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year under review.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 48 to 134 of this annual report.

The service fees incurred/paid by the Group during the year ended 30 June 2024 and the year ended 30 June 2023 to ZHONGHUI ANDA were as follows:

	Year ended 30 June 2024	Year ended 30 June 2023
Audit service	**HK$930,000**	HK$1,000,000
Non-audit service	**HK$530,000**	HK$310,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve our corporate objectives. On the other hand, the management is responsible for the design, implementation and maintenance of the risk management and internal control systems.

The Company has adopted a top-down strategic risk management approach and a complementary bottom-up operational risk management process. Risk management starts from the top level with the Board to determine the nature and extent of risk it is willing to take according to our corporate objectives and put them in context of the external environment in which our operations are.

CORPORATE GOVERNANCE REPORT

The Executive directors, as part of the management, are responsible for identifying principal risks and the key risk indicators to monitor in accordance with the strategy set by the Board. The Executive directors are also responsible for delivering the strategic actions to the operational level. At the operational level, the Head of business units are responsible to execute the strategic actions and report on key risk indicators. Typically these are achieved by implementing sound internal control systems. Internal control system is defined as a system of control procedures for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Different internal control systems have be set up for the Group's different business units. And to monitor the effectiveness of these systems, the management has also set up an internal audit function.

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our risk management system. As such, head of business units maintain regular communication with the Executive directors to report current and emerging risks. Such bottom-up process ensures potential risks are identified and mitigated and significant risks escalated to the Board for consideration as appropriate.

In the year ended 30 June 2024, the Board through the Audit Committee and the internal audit function, had conducted a review of the effectiveness of material controls, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate. The review process included formulating audit plan, approving audit program and reviewing internal audit function's working.

DISCLOSURE OF INSIDE INFORMATION

The Group has internal policy and procedures which strictly prohibit unauthorized use of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only directors and delegated officers are authorized to respond to external enquiries about the Group's affairs.

COMMUNICATION WITH SHAREHOLDERS

The Company uses a number of formal communication channels to account to the Shareholders for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; and (iv) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide the Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner, and on-a–regular-basis information of the Group through the publication of interim and annual reports and/or despatching circulars, notices, and other announcements. The annual general meeting provides a useful channel for Shareholders to communicate with the Board. All Shareholders have at least 21 clear days' notice of annual general meeting at which directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the Shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written 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. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Room 1005, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 40 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 30 June 2024 are set out in note 8 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2024 including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Chairman's Statement and Management Discussion and Analysis which set out on pages 3 to 4 and pages 10 to 28 respectively of this annual report. Details about the Group's financial risk management are set out in note 6 to the Consolidated Financial Statements.

The Group is committed to adopt environmentally responsible practices throughout its operations. The key points of our environmental policy to achieve this are:

– Comply with all the environmental laws and regulations that relate to the Group's operations;

– Prevent the environmental impact of our products throughout their design and manufacturing process;

– Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities; and

– Pursue continuous improvement in environmental performance.

The Company's principal subsidiary Dongguan Weihang Electrical Product Company Limited has been accredited with ISO 14001, an environmental management system certification, since 2007.

During the year ended 30 June 2024, the Group had complied with the relevant laws and regulations that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 30 June 2024 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	56%	–
Five largest customers in aggregate	93%	–
The largest supplier	–	14%
Five largest suppliers in aggregate	–	45%

At no time during the period have the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL RESULTS AND APPROPRIATIONS

The Group's results for the year ended 30 June 2024 and the state of the Group's affairs as at that date are set out in the financial statements on pages 56 to 62.

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2024.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 30 June 2024 are set out in note 35 to the financial statements and the consolidated statement of changes in equity on page 60 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the period are set out in note 19 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries are set out in note 40 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 30 June 2024 are set out in note 34 to the financial statements.

CONVERTIBLE BONDS

The Company has no convertible bonds in issue during the year ended 30 June 2024.

DIRECTORS

During the period beginning with the end of the previous financial year and ending on the date of the report, the board of Directors of the Company comprises:

Executive Directors

Mr. Leung Chung Shan *(Chairman)* (resigned on 15 December 2023)
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Liu Liyang
Mr. Qiu Qing *(CEO)* (retired on 20 July 2023)

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

Pursuant to Bye-laws 87, "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 less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years." Accordingly, Mr. Tam Lup Wai Franky and Mr. Liu Liyang will retire from office by rotation and be eligible for re-election in the Company's forthcoming annual general meeting in 2024.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company was in force throughout the year ended 30 June 2024. The Company has undertaken Director and Officers Liability Insurance to provide such indemnity to all Directors of the Company.

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

As at 30 June 2024, except for Mr. Lim Kim Chai, the non-executive Director of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The interests of Mr. Lim Kim Chai in shares of the Company as at 30 June 2024 was disclosed in the section titled "Substantial Shareholders' and Other Persons Interests and Short Positions in Shares and Underlying Shares".

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during the year ended 30 June 2024 under Share Option Scheme 2015.

The total number of securities available for issue under the Share Option Scheme 2015 is 96,186,832 shares, which represents 0.75% of the issued shares as at the date of the annual report.

The maximum entitlement of each participant under the Share Option Scheme 2015 in any 12-month period shall not exceed 1% of the issued shares for the time being.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of Directors and the five highest paid individuals disclosed pursuant to section 161 of the Companies Ordinance and Appendix D2 of the Listing Rules are set out in note 14 to the consolidated financial statements of the Group.

REMUNERATION POLICY OF DIRECTORS

The emoluments of the Directors are first reviewed by the Remuneration Committee and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

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

As at 30 June 2024, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of Shareholders	Capacity	Number of Shares Held	Approximate % of Shareholding[1]
Low Thiam Herr	Beneficial owner	2,206,750,364	17.21%
Yang Bin	Beneficial owner	2,102,817,178	16.40%
Lim Kim Chai, J.P.[2]	Beneficial owner	1,569,420,951	12.24%
Qiu Qing[3,4]	Beneficial owner	1,259,861,773	9.82%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳天基南聯投資合夥企業(有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	9.82%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	9.82%
CITIC Securities Co., Ltd.[5] ("CITIC")	Interest of controlled corporation	678,387,108	5.29%

Notes

1. Based on 12,824,484,010 shares of the Company in issue as at the 30 June 2024.

2. Mr. Lim Kim Chai, J.P. is the non-executive Director of the Company.

3. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.

4. Mr. Qiu Qing was an executive Director of the Company, and he retired on 20 July 2023.

5. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd*.

* *For identification purpose only*

Save as disclosed above, as at 30 June 2024, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 30 June 2024.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$878,200,000 as at 30 June 2024, may be applied in paying up unissued shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$626,537,000 as at 30 June 2024, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-laws of the Company.

Save as disclosed above, the Company had no reserves available for distribution to Shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions for the year are set out in note 39 to the consolidated financial statements.

Other than disclosed elsewhere in the annual report, there were no transactions that need to be disclosed as connected transactions under Chapter 14A of the Listing Rules during the year under review and the Company has complied with the requirements in Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during year ended 30 June 2024.

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 30 June 2024 are set out in notes 29 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 135 of this annual report.

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (the "Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024, are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the CG Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising three independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

There has been no change of the Company's auditor in the past three years. The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting in 2024.

By Order of the Board
Liu Liyang
Executive Director

Hong Kong, 27 September 2024

TO THE SHAREHOLDERS OF
Zhongzheng International Company Limited
中證國際有限公司
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Zhongzheng International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 134, which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters 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 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Exploration and evaluation assets

As set out in Note 18 to the consolidated financial statements, the mining license (the "Mining License") of the coal mine has been revoked and declared invalid by the Indonesian Government on 22 April 2022. Full impairment of HK$107,970,000 was recognised for the period from 1 January 2021 to 30 June 2022. The Group has submitted the application for the reinstatement. On 24 August 2023, The Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force subject to the Group confirming its certain commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production and coal sales began in the first half of 2024.

No valuation or other evidence was available for us to verify the nil balance of the exploration and evaluation assets as at 30 June 2023. Therefore, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 of Nil and as to appropriateness of the recognition of the impairment of exploration and evaluation assets on the consolidated statement of profit or loss and other comprehensive income of Nil for the year ended 30 June 2023. In consequence, we were unable to ascertain the appropriateness of the reversal of the impairment losses of approximately HK$31,761,000 made during the year ended 30 June 2024.

2. Interest in an associate and amount due from an associate

Included in the consolidated financial statements is interest in an associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd ("Chengde Jinyu") with carrying amount of approximately Nil and HK$347,610,000, as at 30 June 2024 and 2023 respectively, share of loss of approximately HK$59,985,000 and HK$37,331,000 respectively for each of the years ended 30 June 2024 and 2023, share of associate's exchange differences on translating foreign operations of approximately HK$1,150,000 (income) and HK$34,080,000 (loss) respectively for each of the years ended 30 June 2024 and 2023 and the impairment on interest in an associate of approximately HK$288,775,000 and HK$75,860,000 for each of the years ended 30 June 2024 and 2023. Chengde Jinyu is engaged in primary land development in the People's Republic of China (the "PRC").

During each of the years ended 30 June 2023 and 2024, Chengde Jinyu incurred significant loss and had not repaid certain borrowings according to their scheduled repayment dates. Chengde Jinyu's continuing as a going concern is subject to the future sales of land and additional financing to be obtained. As a result, Chengde Jinyu incurred severe financial difficulties and temporarily suspended its business operations from February 2023. The management is unable to obtain complete accounting books and records of Chengde Jinyu. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the interest in an associate as at 30 June 2024 and 30 June 2023, share of loss, share of associate's exchange differences on translating foreign operations and the impairment on interest in an associate for each of the years ended 30 June 2024 and 2023, as well as the related disclosure notes in relation to Chengde Jinyu, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

In addition, we are unable to ascertain the accuracy of the amount due from Chengde Jinyu of approximately HK$235,994,000 and HK$292,616,000 as at 30 June 2024 and 2023 respectively, whether the impairment loss on amount due from an associate of approximately HK$68,155,000 have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 30 June 2024 and whether any impairment loss should be recognised for the year ended 30 June 2023 and the validity of the interest income of approximately HK$10,403,000 and HK$14,386,000 recognised for the years ended 30 June 2024 and 2023 respectively.

3. Properties under development for sales

As mentioned in note 2 to the consolidated financial statements, subsequent to the end of reporting period, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. to a substantial shareholder of the Company for a consideration of HK$53,700,000 (the "Consideration"). In estimating the net realisable value of the properties under development for sales, the Group allocated the Consideration to the assets (other than properties under development for sales) and liabilities disposed of, with the residual value being allocated to the properties under development for sales. Therefore, a written down of approximately HK$196,443,000 was provided for the year ended 30 June 2024. As mentioned in the second and fifth modifications, since we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the carrying amounts of interest in Chengde Jinyu, the amount due from Chengde Jinyu and certain bank borrowings as at 30 June 2024, any adjustment to these figures would affect the amount of written down of properties under development for sales. Therefore, we are unable to ascertain the properties under development for sales of approximately HK$1,049,592,000 and HK$1,249,032,000 as at 30 June 2024 and 2023 respectively and the written down of properties under development for sales of approximately HK$196,443,000 and Nil has been accurately recorded in the consolidated financial statements for each of the years ended 30 June 2024 and 2023 respectively.

4. Other receivables

As set out in Note 25 to the consolidated financial statements, there was a consideration receivable (the "Receivable") of HK$20,466,000 and HK$86,400,000 included in trade and other receivables as at 30 June 2024 and 2023 respectively. As at the date of this report, the Group failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. However, due to the considerable amount of fees and time involved in the legal proceedings, the Group also considers selling the Receivable to a debt collection company or asset management company. Due to the fact that the outcome of the further actions taken by the management is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2024 and 2023, and whether the impairment loss of HK$65,934,000 and Nil have been properly made for each of the years ended 30 June 2024 and 2023 respectively.

5. Borrowings

During each of the years ended 30 June 2023 and 2024 and subsequent to the end of reporting period, a non-wholly owned subsidiary, Yuanding had defaulted the settlement of bank borrowings of RMB319,740,000 (equivalent to approximately HK$343,659,000) as at 30 June 2024. The bank has initiated legal proceedings at the PRC court against Yuanding to demand repayment of bank borrowings. On 29 December 2023, Yuanding received a judgement from The Intermediate People's Court of Nanjing, Jiangsu Province, ruled that Yuanding was required to repay the outstanding loan principal, default charges on overdue bank borrowings of approximately HK$34,627,000, as well as the loans interests and penalty loans interests within 10 days from the effective date of the judgement. It was further noted from a public notice in December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services) that the debt had been disposed of by the bank as non-performing loans.

The Group is trying to contact with the bank and the buyer of non-performing loans for enquiring the current status of bank borrowings. Up to date of this report, no feedback is received from the bank and the buyer of non-performing loans. Thus, we are unable to obtain sufficient audit evidence and there are no other satisfactory audit procedures that we could adopt to ascertain the existence, completeness and accuracy of bank borrowings of HK$343,659,000 as at 30 June 2024 and the completeness and accuracy of finance costs related to bank borrowings of approximately HK$140,177,000 for the year ended 30 June 2024.

Any adjustments to the figures as described from points 1 to 5 above might have consequential effects on the Group's results and cash flows for each of the years ended 30 June 2024 and 2023 and the financial position of the Group as at 30 June 2024 and 2023, and the related disclosures thereof in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the Group incurred net current liabilities of approximately HK$473,718,000 as at 30 June 2024 and net operating cash outflow of approximately HK$21,120,000 for the year ended 30 June 2024 and as at 30 June 2024, the Group's current portion of bank and other borrowings amounted to approximately HK$1,037,595,000, while its cash and bank balances and cash equivalents amounted to approximately HK$20,135,000. Further, during the year ended 30 June 2024 and subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances along with the situation as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the Key audit matters to be communicated in our report.

Interest in an associate

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of interest in Pacific Memory SDN BHD for impairment. This impairment test is significant to our audit because the balance of interest in an associate of approximately HK$530,967,000 as at 30 June 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for interest in Pacific Memory SDN BHD is supported by the available evidence.

Exploration and evaluation assets

Refer to Note 18 to the consolidated financial statements

The Group tested the amount of exploration and evaluation assets for impairment. This impairment test is significant to our audit because the balance of exploration and evaluation assets of approximately HK$31,700,000 as at 30 June 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Inspecting the legal documents regarding the reinstatement of the mining license granted by the Indonesian Government;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for exploration and evaluation assets is supported by the available evidence.

OTHER INFORMATION

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

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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence from points 1 to 5. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268
Hong Kong, 27 September 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue		**147,242**	869,637
Interest revenue		**1,257**	3,273
Total revenue	8	**148,499**	872,910
Cost of sales		**(125,510)**	(619,223)
Gross profit		**22,989**	253,687
Other income and other gains and losses	9	**12,837**	268,633
Selling and distribution expenses		**(2,669)**	(36,185)
Administrative expenses		**(71,876)**	(80,943)
(Loss)/profit from operations		**(38,719)**	405,192
Reversal of impairment loss on exploration and evaluation assets	18(d)	**31,761**	–
Written down of properties under development for sales	24(a)	**(196,443)**	–
Impairment loss on amount due from an associate	21(a)	**(68,155)**	–
Impairment loss on interest in an associate	21(a)	**(288,775)**	(75,860)
Impairment of loan and interest receivables		**(6,929)**	(4,264)
Impairment of other receivables	25(b)	**(65,934)**	(2,481)
Share of results of associates		**(67,537)**	(38,208)
Finance costs	11	**(191,647)**	(84,618)
(Loss)/profit before tax		**(892,378)**	199,761
Income tax credit/(expense)	12	**24,258**	(167,247)
(Loss)/profit for the year	13	**(868,120)**	32,514
(Loss)/profit for the year attributable to:			
Owners of the Company		**(699,345)**	69,131
Non-controlling interests		**(168,775)**	(36,617)
		(868,120)	32,514

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
(Loss)/profit for the year		**(868,120)**	32,514
Other comprehensive (loss)/income:	17		
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**4,299**	(18,279)
Share of associates' exchange differences on translating foreign operations		**(6,097)**	(68,261)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**1,403**	1,005
Other comprehensive loss for the year, net of tax		**(395)**	(85,535)
Total comprehensive loss for the year		**(868,515)**	(53,021)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(702,092)**	(15,817)
Non-controlling interests		**(166,423)**	(37,204)
		(868,515)	(53,021)
(Loss)/earnings per share	16		
Basic (cents per share)		**(5.56)**	0.64
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Exploration and evaluation assets	18	**31,700**	–
Property, plant and equipment	19	**62,820**	64,502
Right-of-use assets	20	**1,313**	2,365
Interests in associates	21	**530,967**	893,376
Loans and interests receivables	22	**1,202**	3,215
		628,002	963,458
Current assets			
Inventories	23	**18,404**	16,010
Properties under development for sales	24	**1,049,592**	1,249,032
Properties held for sales	24	**154,822**	211,636
Trade and other receivables	25	**161,168**	221,579
Loans and interests receivables	22	**3,678**	7,337
Amounts due from associates	26	**257,874**	314,497
Current tax assets		**30**	30
Bank and cash balances	27	**20,135**	41,427
		1,665,703	2,061,548
Current liabilities			
Trade and other payables	28	**(675,191)**	(510,881)
Lease liabilities	31	**(1,117)**	(1,026)
Borrowings	29	**(1,037,595)**	(1,061,812)
Shareholders loans	30	**(285,600)**	(282,600)
Current tax liabilities		**(139,918)**	(136,924)
		(2,139,421)	(1,993,243)
Net current (liabilities)/assets		**(473,718)**	68,305
Total assets less current liabilities		**154,284**	1,031,763

At 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Lease liabilities	31	**(195)**	(1,312)
Borrowings	29	**(21,206)**	(19,544)
Deferred tax liabilities	32	**(17,834)**	(48,371)
		(39,235)	(69,227)
NET ASSETS		**115,049**	962,536
Capital and reserves			
Share capital	34	**513**	429
Reserves	35	**292,553**	973,701
Equity attributable to owners of the Company		**293,066**	974,130
Non-controlling interests	41	**(178,017)**	(11,594)
TOTAL EQUITY		**115,049**	962,536

The consolidated financial statements on pages 56 to 134 were approved and authorised for issue by the board of directors on 27 September 2024 and are signed on its behalf by:

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Foreign currency translation reserve *HK$'000*	Warrant reserve *HK$'000*	Other reserve *HK$'000*	Property revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 July 2022	429	878,200	626,537	(67,487)	24,226	33,251	44,653	(549,862)	989,947	25,610	1,015,557
Total comprehensive loss for the year	–	–	–	(85,953)	–	–	1,005	69,131	(15,817)	(37,204)	(53,021)
At 30 June 2023	429	878,200	626,537	(153,440)	24,226	33,251	45,658	(480,731)	974,130	(11,594)	962,536
At 1 July 2023	**429**	**878,200**	**626,537**	**(153,440)**	**24,226**	**33,251**	**45,658**	**(480,731)**	**974,130**	**(11,594)**	**962,536**
Issue of shares for debt capitalisation *(note 34(a))*	**84**	**20,944**	**–**		**–**	**–**	**–**	**–**	**21,028**	**–**	**21,028**
Total comprehensive loss for the year	**–**	**–**	**–**	**(4,150)**	**–**	**–**	**1,403**	**(699,345)**	**(702,092)**	**(166,423)**	**(868,515)**
At 30 June 2024	**513**	**899,144**	**626,537**	**(157,590)**	**24,226**	**33,251**	**47,061**	**(1,180,076)**	**293,066**	**(178,017)**	**115,049**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	2024 *HK$'000*	2023 *HK$'000*
Cash flows from operating activities		
(Loss)/profit before tax	**(892,378)**	199,761
Adjustments for:		
Share of results of associates	**67,537**	38,208
Finance costs	**191,647**	84,618
Interest income	**(10,496)**	(14,685)
Depreciation of right of use assets	**1,052**	4,960
Amortisation of exploration and evaluation assets	**61**	–
Depreciation of property, plant and equipment	**3,331**	3,891
Reversal of impairment loss on exploration and evaluation assets	**(31,761)**	–
Written down of properties under development for sales	**196,443**	–
Impairment loss on interest in an associate	**288,775**	75,860
Impairment loss on amount due from an associate	**68,155**	–
Impairment of loan and interest receivables	**6,929**	4,264
Impairment of other receivables	**65,934**	2,481
Gain on waiver of promissory note	**–**	(225,955)
Gain on forfeiture of non-refundable deposit	**–**	(24,000)
Written off of property, plant and equipment	**3**	19
Gain on a lease termination	**–**	(1,037)
Gain on disposals of property, plant and equipment	**–**	(130)
Operating (loss)/gain before working capital changes	**(44,768)**	148,255
Change in inventories	**(2,394)**	18,920
Change in trade receivables and other receivables	**(6,149)**	78,842
Change in loans and interests receivables	**(1,257)**	4,468
Change in properties under development for sale	**56,198**	432,479
Change in trade and other payables	**(19,821)**	(721,002)
Cash used in operations	**(18,191)**	(38,038)
Interests received	**93**	299
Tax paid	**(3,022)**	(29,810)
Net cash used in operating activities	**(21,120)**	(67,549)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	2024	2023
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	**–**	(2,032)
Proceeds from disposal of property, plant and equipment	**–**	130
Change in amounts due from associates	**(2,167)**	28,832
Net cash (used in)/generated from investing activities	**(2,167)**	26,930
Cash flows from financing activities		
New borrowings	**6,829**	26,502
Repayment of borrowings	**(3,909)**	(87,353)
Advance from shareholders	**3,000**	–
Repayment of shareholders loans	**–**	(8,000)
Repayment of lease liabilities	**(1,185)**	(5,607)
Interests paid	**(2,800)**	(9,092)
Net cash generated from/(used in) financing activities	**1,935**	(83,550)
Net decrease in cash and cash equivalents	**(21,352)**	(124,169)
Cash and cash equivalents at the beginning of the year	**41,427**	167,450
Effect of changes in foreign exchange rate	**60**	(1,854)
Cash and cash equivalents at the end of the year	**20,135**	41,427
Analysis of cash and cash equivalents		
Bank and cash balances	**20,135**	41,427

1. GENERAL INFORMATION

Zhongzheng International Company Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 1005, 10/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2024 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

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

2. GOING CONCERN BASIS

The Group incurred net current liabilities of approximately HK$473,718,000 as at 30 June 2024 and net operating cash outflow of approximately HK$21,120,000 for the year ended 30 June 2024 and as at 30 June 2024, the Group's current portion of bank and other borrowings amounted to approximately HK$1,037,595,000, while its cash and bank balances and cash equivalents amounted to approximately HK$20,135,000. Further, during the year ended 30 June 2024 and subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group maybe unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

2. GOING CONCERN BASIS *(Continued)*

– On 22 July 2024, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held the Group's entire properties development projects in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "Disposal") to Mr. Lim Kim Chai, a substantial shareholder of the Company (the "Purchaser") for a consideration of HK$53,700,000. Since the disposal successfully completed, substantial portion of borrowings and other liabilities related to property development projects will be derecognised from the Group so as to improve financial position;

– pursuant to the terms of agreement regarding the Disposal, upon the completion of the Disposal, the Purchaser extended the repayment date of the principal of the shareholders loans amounted to HK$250,000,000 plus accrued interests from 31 December 2024 to 31 December 2027;

– On 23 September 2024, another substantial shareholder, Mr. Low Thiam Herr ("Mr. Low"), extended the repayment date of shareholders loan amounted to HK$35,600,000 plus accrued interests to 31 December 2025.

– the Group is implementing cost-saving measures to improve its operating cash flows and financial position.

– Mr. Low also undertakes to provide financial support to the Company within fifteen months from the date of the letter. i.e. 23 September 2024.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. MATERIAL ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings held by the Group which are carried at their fair values.

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

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2024. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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

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

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

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

Business combination and goodwill

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

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

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

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

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Interest in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Land and buildings	30 years
Leasehold improvements	Shorter of unexpired lease term or estimated useful life
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

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

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

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Leases

The Group as lessee

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

Land and buildings	50%

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial assets at fair value through other comprehensive income

– On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

– Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at amortised cost

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

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Loss allowances for expected credit losses

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

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

Borrowings

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

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

Trade and other payables

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

Equity instruments

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(c) Termination benefits

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

Borrowing costs

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

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

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

Taxation

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

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

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

4. **MATERIAL ACCOUNTING POLICIES** *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and its joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Related parties

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

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

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

    (ii) has significant influence over the Group; or

    (iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Segment reporting

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories, properties under development for sales, properties held for sales and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Provisions and contingent liabilities

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis. This involves critical judgements. Details are explained in note 2 to the consolidated financial statements.

(b) Split of land and building elements

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

Key sources of estimation uncertainty

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

(a) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 4 to the consolidated financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loans, and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for properties underdevelopment for sales and properties held for sales

The management estimates the net realisable value for properties under development for sales. Significant judgement is required by the management in determining the prices at which the properties will be sold as the property prices in the PRC maybe, from time-to-time, affected by macroeconomic control measures executed by the PRC government.

(d) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(f) Impairment of interests in associates and amounts due from associates

The interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the interests in associates exceeds their recoverable amounts. The recoverable amounts are determined with reference to the higher of value in use and fair value less costs of disposal. Where the recoverable amounts are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of recoverable amounts, a material impairment loss may arise.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(g) PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax provisions in the periods in which such taxis finalised with local tax authorities.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, amounts due from associates, trade, loans, interests and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 54% (30 June 2023: 56%) of the revenue for the year and shared over approximately 75% (30 June 2023: 87%) of the trade receivables at the end of the reporting year. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

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

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when the Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

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

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Consideration receivable (included in trade and other receivables)	**Loans and interests receivables**	**Amounts due from associates**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 30 June 2024	**86,400**	**49,867**	**320,751**	**457,018**
Loss allowance	**(65,934)**	**(44,987)**	**(62,877)**	**(173,798)**
Carrying amount	**20,466**	**4,880**	**257,874**	**283,220**
Balance at 30 June 2023	86,400	48,610	314,497	449,507
Loss allowance	–	(38,058)	–	(38,058)
Carrying amount	86,400	10,552	314,497	411,449
Expected credit loss rate				
30 June 2024	76%	90%	20%	38%
30 June 2023	0%	78%	0%	8%

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2024			
Borrowings	**1,251,173**	**23,134**	**–**
Lease liabilities	**1,186**	**197**	**–**
Shareholders loans	**285,600**	**–**	**–**
Trade and other payables	**503,269**	**–**	**–**
At 30 June 2023			
Borrowings	1,146,664	6,462	19,014
Lease liabilities	1,186	1,186	197
Shareholders loans	282,600	–	–
Trade and other payables	334,756	–	–

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings and unsecured other loans.

Secured bank and other loans and lease liabilities are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 30 June 2024, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair values

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

(f) Categories of financial instruments

	2024	2023
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost (including cash and cash equivalent)	**390,710**	551,549
Financial liabilities		
Financial liabilities at amortised cost	**1,847,670**	1,698,712

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

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

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

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

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

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 30 June:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2024**
Description	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Land and buildings	**–**	**–**	**56,642**	**56,642**

Disclosures of level in fair value hierarchy at 30 June:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2023
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	56,612	56,612

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

	Land and buildings	
	2024	2023
Description	***HK$'000***	*HK$'000*
At 1 July	**56,612**	61,670
Total gains recognised in other comprehensive income	**1,871**	1,340
Depreciation	**(1,561)**	(1,624)
Exchange difference	**(280)**	(4,774)
At 30 June	**56,642**	56,612

The total gains recognised in other comprehensive income are presented in gain on property revaluation in the statement of profit or loss and other comprehensive income.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value if the inputs increases	Range	Fair value 2024 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	Increase	RMB1,470/m^2	
		Current cost of replacing the improvements	Increase	RMB1,599-1,976/m^2	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	Decrease	54%-56%	**56,642**

Description	Valuation technique	Unobservable inputs	Effect on fair value if the inputs increases	Range	Fair value 2023 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	Increase	RMB1,480/m^2	
		Current cost of replacing the improvements	Increase	RMB1,560-1,990/m^2	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	Decrease	55%	56,612

8. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the year represents manufacture and sales of healthcare and household products, property development, royalty income on coal mining and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

	2024	2023
	HK$'000	*HK$'000*
Property development	**46,664**	697,216
Manufacture and sales of healthcare and household products	**100,278**	172,421
Royalty income on coal mining	**300**	–
Revenue from contracts with customers	**147,242**	869,637
Interest income from money lending business	**1,257**	3,273
Total revenue	**148,499**	872,910

Note:

Disaggregation of revenue from contracts with customers:

Segments	**Coal Mining**		**Property development**		**Healthcare and household products**	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Geographical markets						
United States of America	**–**	–	**–**	–	**75,620**	140,165
The People's Republic of China (the "PRC")	**–**	–	**46,664**	697,216	**5**	965
Germany	**–**	–	**–**	–	**8,826**	13,515
France	**–**	–	**–**	–	**1**	320
United Kingdom	**–**	–	**–**	–	**373**	1,393
Indonesia	**300**	–	**–**	–	**–**	–
Hong Kong and others	**–**	–	**–**	–	**15,453**	16,063
Total	**300**	–	**46,664**	697,216	**100,278**	172,421

8. REVENUE *(Continued)*

Manufacture and sales of healthcare and household products

Revenues from the sales of manufactured goods and trading of raw materials and moulds are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, cash on delivery maybe required.

A receivable is recognised when the products are delivered to the customers as this is at the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Property development

The Group develops and sells residential properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The Group did not grant any credit terms to its customers. For all customers, deposits are required. Deposits received are recognised as a contract liability.

Royalty income on coal mining

The Group receives royalty income from the company which engaged in the mining activities in Indonesia for the sales of the coal produced from the coal mine held by the Group. Royalty income is recognised when the coal produced from the mine is sold to the customers in accordance with the terms and conditions of the exclusive cooperation agreement.

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Income from scrap sales	**314**	782
Interest income	**93**	299
Government grants	**–**	310
Net exchange gains	**1,260**	641
Gain on waiver of promissory note *(note a)*	**–**	225,955
Gain on forfeiture of non-refundable deposit *(note b)*	**–**	24,000
Interest income from an associate	**10,403**	14,386
Gain on disposals of property, plant and equipment	**–**	130
Written off of property, plant and equipment	**(3)**	(19)
Gain on a lease termination	**–**	1,037
Others	**770**	1,112
	12,837	268,633

Notes:

(a) Upon the completion date of the acquisition of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd and Dongguan Hexin Real Estate Development Co., Ltd on 19 March 2020, the Company issued a six months interest free Promissory Note ("PN") with a principal amount of RMB200,000,000 as a part of the settlement of the consideration.

In the circumstances and to mitigate the possible adverse impact on the Group arising from the prolonged extension of completion date of the Proposed Disposal, on 24 October 2022, the holder of the PN has irrevocably and unconditionally agreed to (i) waive all its rights and claims against the Company under the PN and to deliver the PN to the Company for cancellation; and (ii) waive all its rights and claims against the Company for all the accrued interest (including default interest, if relevant) payable by the Company in relation to the PN. If the completion of the Proposed Disposal takes place, the cancellation of the PN and waiver of interest should become part of the consideration for the Proposed Disposal.

On 3 January 2023, the Proposed Disposal has been terminated and will not proceed, and that the promissory note is no longer a valid instrument. As a result, the Group has recognised a gain on the waiver of the promissory note during the year ended 30 June 2023.

(b) On 28 February 2022, the parties to the disposal agreement in connection with the proposed disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "Proposed Disposal") entered into a second supplemental agreement, pursuant to which, the parties agreed to extend the completion date to 31 May 2022 or such other date as the parties to the aforesaid disposal agreement may agree. In consideration for the Company agreeing to extend the completion date, a non-refundable deposit of HK$24,000,000 was received. Upon completion, the deposit shall become part of payment of the cash consideration for the Proposed Disposal. Details are stated in the Company's announcement dated 28 February 2022. Subsequently, the Group entered into several extension agreements to extend completion date to 9 January 2023. On 3 January 2023, the Proposed Disposal has been terminated and will not proceed, and the non-refundable deposit was forfeited and gain on forfeiture of non-refundable deposit was recognised as other income during the year ended 30 June 2023.

10. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has five (2023: five) reportable segments: property development, manufacture and sales of healthcare and household products, coal mining business, money lending business and primary land development.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include gain on waiver of promissory notes, gain on forfeiture of non-refundable deposit, unallocated share of results of associates, unallocated finance costs and unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

10. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Property development	Primary land development	Money lending business	Coal mining business	Healthcare and household products business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2024						
Revenue	**46,664**	**–**	**1,257**	**300**	**100,278**	**148,499**
Segment loss	**(360,388)**	**(417,414)**	**(5,676)**	**31,274**	**(6,109)**	**(758,313)**
Finance costs	**(177,504)**	**–**	**–**	**–**	**(1,258)**	**(178,762)**
Depreciation	**–**	**–**	**–**	**–**	**(3,245)**	**(3,245)**
(Impairment)/reversal of impairment of assets	**(196,443)**	**(356,930)**	**(6,929)**	**31,761**	**–**	**(528,541)**
Income tax credit	**24,258**	**–**	**–**	**–**	**–**	**24,258**
Additions to segment non-current assets	**–**	**–**	**–**	**–**	**87**	**87**
At 30 June 2024						
Segment assets	**1,417,832**	**148,027**	**4,995**	**30,420**	**115,423**	**1,716,697**
Segment liabilities	**1,676,341**	**13,834**	**–**	**–**	**122,660**	**1,812,835**
2023						
Revenue	697,216	–	3,273	–	172,421	872,910
Segment loss	(58,613)	(114,645)	(1,044)	(758)	(6,131)	(181,191)
Finance costs	(69,895)	(3)	–	–	(1,297)	(71,195)
Depreciation	(111)	–	–	–	(3,615)	(3,726)
Impairment of assets	–	(75,860)	(4,264)	–	–	(80,124)
Income tax expense	(166,246)	–	–	–	(96)	(166,342)
Additions to segment non-current assets	–	–	–	–	2,701	2,701
At 30 June 2023						
Segment assets	1,657,430	572,625	10,608	–	126,316	2,366,979
Segment liabilities	1,556,311	25,782	–	–	113,214	1,695,307

10. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2024	2023
	HK$'000	*HK$'000*
Revenue:		
Property development	**46,664**	697,216
Healthcare and household products business	**100,278**	172,421
Coal mining business	**300**	–
Interest income from money lending business	**1,257**	3,273
Consolidated revenue for the year	**148,499**	872,910
Profit or loss:		
Total loss of reportable segments	**(758,313)**	(181,191)
Share of results of associates	**(7,552)**	(877)
Finance costs	**(12,885)**	(13,423)
Gain on waiver of promissory note *(note 9(a))*	**–**	225,955
Gain on forfeiture of non-refundable deposit *(note 9(b))*	**–**	24,000
Corporate and unallocated loss	**(89,370)**	(21,950)
Consolidated (loss)/profit for the year	**(868,120)**	32,514

	2024	2023
	HK$'000	*HK$'000*
Assets:		
Total assets of reportable segments	**1,716,697**	2,366,979
Corporate and unallocated assets:		
– Bank and cash balances	**892**	1,057
– Interest in an associate	**530,967**	545,766
– Others	**45,149**	111,204
Consolidated total assets	**2,293,705**	3,025,006
Liabilities:		
Total liabilities of reportable segments	**1,812,835**	1,695,307
Corporate and unallocated liabilities		
– Shareholders loans	**285,600**	282,600
– Others	**80,221**	84,563
Consolidated total liabilities	**2,178,656**	2,062,470

10. SEGMENT INFORMATION *(Continued)*

Geographical information:

	2024	2023
	HK$'000	*HK$'000*
Revenue:		
United States of America	**75,620**	140,165
The PRC	**46,669**	698,181
Germany	**8,826**	13,515
France	**1**	320
United Kingdom	**373**	1,393
Indonesia	**300**	–
Hong Kong and others	**16,710**	19,336
	148,499	872,910

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for primary land development for the year.

	2024	2023
	HK$'000	*HK$'000*
Non-current assets:		
Indonesia	**32,547**	847
The PRC	**62,699**	411,902
Hong Kong and others	**531,554**	547,494
	626,800	960,243

10. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

	2024	2023
	HK$'000	*HK$'000*
Healthcare and household products business segment		
Customer A	**54,211**	96,249
Customer B	**24,060**	N/A*

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

* Customer did not contribute more than 10% of the total consolidated revenue of the Group.

11. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on other loans	**37,358**	37,307
Interest on bank loans	**141,441**	36,069
Interests on shareholders loans	**12,689**	12,660
Leases interests	**159**	635
	191,647	86,671
Less: interest capitalised in properties under development for sale	**–**	(2,053)
	191,647	84,618

12. INCOME TAX CREDIT/(EXPENSE)

	2024	2023
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**(2,769)**	(38,823)
– Land appreciation tax	**(3,989)**	(152,510)
– Deferred tax *(note 32)*	**31,016**	24,991
Hong Kong Profits Tax		
– Under-provision in prior years	**–**	(905)
	24,258	(167,247)

PRC enterprise income tax is almost provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purposes.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The taxis incurred upon transfer of property ownership.

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

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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

	2024	2023
	HK$'000	*HK$'000*
Loss/(profit) before tax	**892,378**	(199,761)
Add: Share of results of associated companies	**(67,537)**	(38,208)
Less: Land appreciation tax	**3,989**	152,510
	828,830	(85,459)
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	**136,757**	(14,101)
Tax effect of non-taxable income	**322**	43,082
Tax effect of non-deductible expenses	**(79,189)**	(34,473)
Tax effect of utilisation of tax losses not previously recognised	**–**	14,675
Under-provision in prior years	**–**	(905)
Land appreciation tax	**(3,989)**	(152,510)
Tax effect of tax losses not recognised	**(30,188)**	(18,345)
Effect of different tax rates of subsidiaries	**545**	(4,670)
Income tax credit/(expense) for the year	**24,258**	(167,247)

13. (LOSS)/PROFIT FOR THE YEAR

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

	2024 *HK$'000*	2023 *HK$'000*
Auditor's remuneration	**930**	1,000
Cost of inventories sold#	**125,510**	619,223
Depreciation - property, plant and equipment	**3,331**	3,891
Depreciation - right of use assets	**1,052**	4,960
Amortisation of exploration and evaluation assets *(note 18)*	**61**	–
Reversal of impairment on exploration and evaluation assets *(note 18)*	**(31,761)**	–
Impairment of loan receivables *(note 22)*	**5,756**	2,367
Impairment of loan interest receivables *(note 22)*	**1,173**	1,897
Impairment loss on interest in an associate *(note 21(a))*	**288,775**	75,860
Impairment loss on amount due from an associate *(note 21(a))*	**68,155**	–
Written down of properties under development for sales *(Note 24(a))*	**196,443**	–
Written down of properties held for sales *(Note 24(b))*	**7,371**	–
Impairment of other receivables	**65,934**	2,481
Net exchange gain	**(1,260)**	(641)
Short term lease expenses	**1,023**	154
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**58,705**	86,809
– Retirement benefits scheme contributions	**310**	873
	59,015	87,682

Cost of inventories sold includes staff costs and depreciation of approximately HK$21,922,000 in total (2023: approximately HK$43,147,000), which are included in the amounts disclosed separately above.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2024	*Note*	**Fees** *HK$'000*	**Salaries and allowances** *HK$'000*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive Directors					
Mr. Leung Chung Shan	*a*	–	325	9	334
Mr. Tam Lup Wai, Franky		–	788	18	806
Mr. Liu Liyang		–	1,800	18	1,818
Non-executive Director					
Mr. Lim Kim Chai		–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		180	–	–	180
Mr. Leung Chi Hung		180	–	–	180
Mr. Li Hon Kuen		180	–	–	180
Total for the year ended 30 June 2024		**540**	**2,913**	**45**	**3,498**

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

2023	*Note*	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Leung Chung Shan		–	767	18	785
Mr. Tam Lup Wai, Franky		–	854	18	872
Mr. Liu Liyang		–	1,800	18	1,818
Mr. Qiu Qing	b	–	–	–	–
Non-executive Director					
Mr. Lim Kim Chai		–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		156	–	–	156
Mr. Leung Chi Hung		156	–	–	156
Mr. Li Hon Kuen		156	–	–	156
Total for the year ended 30 June 2023		468	3,421	54	3,943

Notes:

a Resigned on 15 December 2023

b Appointed on 17 April 2020 and retired on 20 July 2023.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the period included two (2023: two) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining three (2023: three) individuals is set out below:

	2024	2023
	HK$'000	*HK$'000*
Basic salaries and allowances	**3,634**	4,349
Retirement benefits scheme contributions	**54**	36
	3,688	4,385

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument band:		
Nil – HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	3	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2024 (2023: Nil).

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$699,345,000 (2023: profit for the year attributable to owners of the Company of approximately HK$69,131,000) and the weighted average number of ordinary shares of approximately 12,588,923,000 (2023: 10,721,667,000) in issue during the year.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during both years ended 30 June 2024 and 2023.

17. OTHER COMPREHENSIVE (LOSS)/INCOME

Items of other comprehensive (loss)/income for the year with their respective related tax effects as follows:

	2024			2023		
	Amount before tax	**Tax**	**Amount after tax**	Amount before tax	Tax	Amount after tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translating foreign operations	**4,299**	**–**	**4,299**	(18,279)	–	(18,279)
Share of associates exchange differences on translating foreign operations	**(6,097)**	**–**	**(6,097)**	(68,261)	–	(68,261)
Gain on property revaluation	**1,871**	**(468)**	**1,403**	1,340	(335)	1,005
Other comprehensive income	**73**	**(468)**	**(395)**	(85,200)	(335)	(85,535)

18. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(note a)* *HK$'000*	Others *(note b)* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2022, 30 June 2023, 1 July 2023 and 30 June 2024	444,127	17,904	462,031
Accumulated impairment			
At 1 July 2022, 30 June 2023, 1 July 2023 *(note c)*	444,127	17,904	462,031
Reversal of impairment losses *(note d)*	(31,761)	–	(31,761)
Amortisation	61	–	61
At 30 June 2024	**412,427**	**17,904**	**430,331**
Carrying amount			
At 30 June 2024	**31,700**	**–**	**31,700**
At 30 June 2023	–	–	–

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) On 22 April 2022, the Group was notified by the Indonesian Government that the mining license ("Mining License") of the coal mine had been revoked and declared invalid with effect from the same date. The Company has submitted the application for the reinstatement. After obtaining a legal opinion advised by a local lawyer, the management is in the view that the reinstatement of the Mining License is remote. Therefore, the carrying amount of HK$462,031,000 as at 30 June 2023 was fully impaired.

(d) On 24 August 2023, the Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force with effect from the same date, subject to confirming its commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine for a period of five years from the agreement date. Details are stated in the Company's announcement dated 31 August 2023.

On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production and coal sales began in the first half of 2024. Since the reinstatement of the Mining License has been completed, reversal of impairment losses of HK$31,761,000 was recognised during the year ended 30 June 2024 based on the recoverable amount of the mine. Such recoverable amount has been determined on the basis of its value-in-use using the discount cash flow method (level 3 fair value measurement). The cash flow projections based on financial budgets approved by the management covering a 15-years period which is based on duration of production years approved in the Mining License. The annual production capacity on financial budgets are based on maximum capacity approved by the Indonesian Government without any growth throughout the projection period. The key assumption including pre-tax discount rate used in the value-in-use calculations is 21%.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
Cost or Valuation						
At 1 July 2022	61,670	1,862	31,181	32,535	32,188	159,436
Additions	–	237	1,441	290	64	2,032
Revaluation	(216)	–	–	–	–	(216)
Written off	–	–	(83)	(73)	(4)	(160)
Disposals	–	–	(239)	–	–	(239)
Exchange differences	(4,842)	–	(2,880)	(1,595)	(1,557)	(10,874)
At 30 June 2023 and 1 July 2023	56,612	2,099	29,420	31,157	30,691	149,979
Additions	–	–	–	58	29	87
Revaluation	322	–	–	–	–	322
Written off	–	–	(52)	(89)	(7)	(148)
Exchange differences	(292)	–	(176)	(97)	(94)	(659)
At 30 June 2024	**56,642**	**2,099**	**29,192**	**31,029**	**30,619**	**149,581**
Accumulated depreciation and impairment						
At 1 July 2022	–	1,862	22,643	32,207	32,188	88,900
Charge for the year	1,624	53	1,611	492	111	3,891
Write back on revaluation	(1,556)	–	–	–	–	(1,556)
Written off	–	–	(67)	(72)	(2)	(141)
Disposals	–	–	(239)	–	–	(239)
Exchange differences	(68)	–	(2,234)	(1,470)	(1,606)	(5,378)
At 30 June 2023 and 1 July 2023	–	1,915	21,714	31,157	30,691	85,477
Charge for the year	1,561	79	1,596	65	30	3,331
Write back on revaluation	(1,549)	–	–	–	–	(1,549)
Written off	–	–	(52)	(89)	(4)	(145)
Exchange differences	(12)	–	(139)	(104)	(98)	(353)
At 30 June 2024	**–**	**1,994**	**23,119**	**31,029**	**30,619**	**86,761**
Carrying amounts						
At 30 June 2024	**56,642**	**105**	**6,073**	**–**	**–**	**62,820**
At 30 June 2023	56,612	184	7,706	–	–	64,502

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation at 30 June 2024 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost	–	2,099	29,192	31,029	30,619	92,939
At valuation	56,642	–	–	–	–	56,642
	56,642	2,099	29,192	31,029	30,619	149,581

The analysis of the cost or valuation at 30 June 2023 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost	–	2,099	29,420	31,157	30,691	93,367
At valuation	56,612	–	–	–	–	56,612
	56,612	2,099	29,420	31,157	30,691	149,979

(a) As at 30 June 2024, the Group's land and buildings were revalued by BMI Appraisal Limited, an independent firm of professional valuer, on the open market value basis with reference to market evidence of recent transactions for similar properties.

The carrying amount of the Group's land and buildings would be approximately HK$5,782,000 (2023: approximately HK$6,632,000) had they been stated at cost less accumulated depreciation and impairment losses.

(b) As at 30 June 2024, certain land and buildings, amounted approximately HK$56,642,000 (2023: approximately HK$56,612,000) of the Group were pledged to secure banking facilities granted to the Group (note 37).

20. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024	2023
	HK$'000	*HK$'000*
Right-of-use assets		
– Land and buildings	**1,313**	2,365

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	**1,186**	1,186
– Between 1 and 2 years	**197**	1,186
– Between 2 and 5 years	**–**	197
	1,383	2,569

	2024	2023
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets		
– Land and buildings	**1,052**	4,842
– Motor vehicles	**–**	118
	1,052	4,960
Lease interests	**159**	635
Expenses related to short-term leases	**1,023**	154
Total cash outflow for leases	**2,208**	5,761
Additions to right-of-use assets	**–**	2,976

The Group leases land and buildings. Lease agreements are typically made for fixed periods of 3 years (2023: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

21. INTERESTS IN ASSOCIATES

	2024	2023
	HK\$'000	*HK\$'000*
Unlisted investment		
Share of net assets	**530,967**	878,607
Goodwill	**86,994**	87,444
Impairment	**(86,994)**	(72,675)
	530,967	893,376

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

Name	**Chengde CITIC Securities Jinyu Investment Development Co., Ltd ("Chengde Jinyu")** *(Note a)*	**Pacific Memory SDN BHD**
Principal place of business/country of incorporation	PRC	Malaysia
Principal activity	Primary land development	Properties development in Malaysia
% ownership interest	42.5%	35%

21. INTERESTS IN ASSOCIATES *(Continued)*

	2024	2023	**2024**	2023
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
Non-current assets	**1,493,235**	3,093,274	**–**	–
Current assets	**397,851**	627,197	**2,079,229**	2,132,871
Non-current liabilities	**–**	(300,588)	**(486,190)**	(498,843)
Current liabilities	**(2,548,776)**	(2,526,678)	**(75,990)**	(74,698)
Net assets (net of non-controlling interests)	**(598,313)**	783,155	**1,517,049**	1,559,330
Group's share of net assets	**–**	332,841	**530,967**	545,766

	2024	2023	**2024**	2023
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
Revenue	**–**	–	**–**	–
Loss for the year	**(1,559,441)**	(97,944)	**(21,577)**	(2,507)
Other comprehensive loss	**8,546**	(93,300)	**(20,704)**	(97,659)
Total comprehensive loss	**(1,550,895)**	(191,244)	**(42,281)**	(100,166)

Note:

(a) There was no auction carried out by the local government for the land developed under the primary land development project in Luanping County, the PRC (the "Luanping Project") of Chengde Jinyu during the year and there is no sign that land auctions, if any, would be resumed by the local government any sooner in the short term. In light of the potential change of use of the land developed under the Luanping Project based on the latest development of the EOD Project (please refer to the section headed "Business Review – Property projects in the PRC – Primary land development" for details), the recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by the project company of Chengde Jinyu and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017. Such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK\$288,775,000 (2023: HK\$75,860,000).

As Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK\$68,155,000 (2023: Nil) was recognised in respect of the amount due from Chengde Jinyu.

22. LOANS AND INTERESTS RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Loans receivables	**40,739**	39,620
Impairment allowance	**(36,476)**	(30,720)
	4,263	8,900
Interests receivables	**9,128**	8,990
Impairment allowance	**(8,511)**	(7,338)
	617	1,652
	4,880	10,552
Analysed for reporting purposes as:		
– Non-current assets	**1,202**	3,215
– Current assets	**3,678**	7,337
	4,880	10,552

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2024	2023
	HK$'000	*HK$'000*
Over 12 months	**4,263**	8,900

22. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (30 June 2023: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (30 June 2023: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers ' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

Loan receivables as at 30 June 2024 represented unsecured loans granted to independent third parties with principal amount of HK$40,739,000 (30 June 2023: HK$39,620,000) in total (after netting of discounting effect of approximately HK$3,315,000 (30 June 2023: HK$3,315,000). The directors of the Company monitored the collectability of the loans receivables closely with reference to their respective current creditworthiness and repayment records. As at 30 June 2024, the management believes that these loan and interest receivables are considered fully recoverable except for HK$35,327,000 (30 June 2023: HK$35,327,000) is considered as high risk of default.

On 31 August 2022, one of the borrowers with outstanding loan principal and interest of HK$19,792,000 and HK$4,942,000, respectively, were ordered to be wound up by the High Court. Since the credit risk is significantly increased, the impairment allowance of HK$19,361,000 and HK$4,835,000 were recognised for loan and interest receivables as at 30 June 2024 (30 June 2023: HK$16,491,000 and HK$4,118,000), respectively.

In February 2023, the Group entered into settlement agreements with three borrowers respectively. Based on the settlement agreements, the Group agreed to waive 100% interest receivable of HK$2,962,000 to one of the borrowers and the principal amount of HK$6,000,000 was fully settled in March 2023. For the other two borrowers, similar settlement terms were agreed whereby 70% interest receivables of HK$3,872,000 in aggregate were waived by the Group and no additional interest will be charged by the Group. 10% outstanding loan principal and interest receivable shall be repayable upon entering into the settlement agreement. The remaining loan principal and interest receivables shall be repayable by three annual installments in January 2024, 2025 and 2026. In February 2023, the first payments of approximately HK$1,740,000 in aggregate were settled. However, the annual installment to be repaid in January 2024 were not yet settled. Therefore, management considered the credit risk is significantly increased, the impairment allowance of HK$9,420,000 and HK$1,159,000 in aggregate were recognised for loan and interest receivables of those two borrowers as at 30 June 2024 (30 June 2023: HK$7,292,000 and HK$888,000 were recognised for loan and interest receivables), respectively.

22. LOANS AND INTERESTS RECEIVABLES *(Continued)*

In March 2023, the Group instigated legal action against one of the borrowers with outstanding loan principal and interest of approximately HK$5,000,000 and HK$1,227,000 respectively. Up to the date of this report, the outcome of the legal action is still pending. Since the credit risk is significantly increased, the impairment allowance of HK$4,694,000 and HK$1,152,000 were recognised for loan and interest receivables as at 30 June 2024 (30 June 2023: HK$3,937,000 and HK$966,000), respectively.

The movements in allowance for impairment of loans and interests receivables were as follows:

	2024	2023
	HK$'000	*HK$'000*
Impairment allowance at the beginning of year	**38,058**	33,794
Impairment during the year	**6,929**	4,264
Total impairment allowance	**44,987**	38,058

23. INVENTORIES

	2024	2023
	HK$'000	*HK$'000*
Raw materials	**6,458**	4,587
Work in progress	**3,065**	2,892
Finished goods	**8,881**	8,531
	18,404	16,010

24. PROPERTIES UNDER DEVELOPMENT FOR SALES AND PROPERTIES HELD FOR SALES

	2024	2023
	HK$'000	*HK$'000*
(a) Properties under development for sales		
Cost		
At 1 July	**1,249,032**	1,349,567
Additions	**–**	5,667
Written down	**(196,443)**	–
Effect of foreign exchange difference	**(2,997)**	(106,202)
At 30 June	**1,049,592**	1,249,032
Properties under development for sales of which:		
– Expected to be recovered within 1 year	**–**	–
– Expected to be recovered over 1 year	**1,049,592**	1,249,032
	1,049,592	1,249,032

As at 30 June 2024, the Group's properties under development for sales are situated in Nanjing, the PRC. The properties under development of HK$1,049,592,000 (30 June 2023: HK$1,249,032,000) were pledged to secure bank borrowings granted to the Group.

Since August 2022, the construction of the properties under development was temporarily suspended by the Group.

As mentioned in note 2 to the consolidated financial statements, subsequent to the end of reporting period, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "Disposal") to a substantial shareholder of the Company for a consideration of approximately HK$53,700,000. In estimating the net realisable value of the properties under development for sales of the Nanjing project (the "PUD") as at 30 June 2024, the Group allocated the consideration for the Disposal to the assets (other than PUD) and liabilities disposed of, with residual value being allocated to the PUD. On this basis, a written down of PUD of approximately HK$196,443,000 was recognised during the year end 30 June 2024.

24. PROPERTIES UNDER DEVELOPMENT FOR SALES AND PROPERTIES HELD FOR SALES *(Continued)*

(b) Properties held for sales

The Group's properties held for sales are situated in Dongguan, the PRC. All the properties held for sales are stated at lower of cost and net realisable value. In the opinion of the Directors, properties held for sales would be realised within 12 months.

The net realisable value of the properties held for sales in Dongguan, the PRC as at 30 June 2024 was determined to be lower than its carrying amount, resulted in the recognition of written down of properties held for sales of approximately HK$7,371,000 (included in costs of sales).

25. TRADE AND OTHER RECEIVABLES

	Note	2024 HK$'000	2023 HK$'000
Trade receivables	a	**30,025**	39,740
Prepayment and deposits		**43,800**	29,219
Prepaid tax		**9,759**	9,203
Consideration receivable	b	**20,466**	86,400
Due from related companies	c	**32,170**	29,440
Other receivables		**24,948**	27,577
		161,168	221,579

	30 June 2024 HK$'000	30 June 2023 HK$'000	1 July 2022 HK$'000
a. Contract receivables (included in trade receivables)	**30,025**	39,740	51,323

25. TRADE AND OTHER RECEIVABLES *(Continued)*

b. In May 2019, the Group entered into an agreement to dispose of 100% equity interest in Ample One Limited to Joyful Treasure Enterprises Limited ("Joyful Treasure") at a consideration of HK$166,400,000. The first payment of HK$80,000,000 was received upon completion and the remaining consideration should be payable in four instalments in January 2020, July 2020, January 2021 and July 2021 respectively. In January 2020, the Group entered into an extension agreement to extend the first instalment from January 2020 to July 2020. In July 2020, the Group and Joyful Treasure entered into another extension agreement to extend the first and second instalments to October 2020 and January 2021 respectively. In February 2021, the Group and Joyful Treasure entered into another extension agreement to further extend the first, second and third instalments to July 2021 with interest at 6% interest per annum. In July 2021, Joyful Treasure defaulted the settlement. In August 2021, HK$5 million interest was settled. As the Group is unable to reach satisfactory settlement plan with Joyful Treasure, the Group has commenced legal action against Joyful Treasure to recover the outstanding balance. The outcome of the legal action is still pending. Based on the expected credit loss assessment by the valuer, the expected credit loss rate for the consideration receivable was approximately 76.3%, which was determined with reference to the market price of publicly traded bonds with credit rating and country risk comparable to Joyful Treasure. Therefore, an impairment loss of approximately HK$65,934,000 (2023: Nil) is provided on the consideration receivable.

c. The amount due from related companies are interest free, unsecured and have no fixed term of repayment.

Trade receivables

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**11,484**	12,044
31 to 90 days	**12,970**	20,671
91 to 180 days	**5,090**	6,995
Over 180 days	**481**	30
	30,025	39,740

26. AMOUNTS DUE FROM ASSOCIATES

As at 30 June 2024, approximately HK$63,414,000 (30 June 2023: HK$63,742,000) are due from Chengde Jinyu, which are interest-bearing at 16% per annum and repayable within one year, the remaining amounts are unsecured, interest-free and have no fixed repayment terms.

27. BANK AND CASH BALANCES

Bank and cash balances are denominated in the following currencies:

	2024	2023
	HK$'000	*HK$'000*
RMB	**16,131**	36,812
Hong Kong Dollar	**1,433**	2,119
US Dollar	**2,411**	2,490
Other currencies	**160**	6
	20,135	41,427

As at 30 June 2024, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$16,131,000 (2023: approximately HK$36,812,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations. The bank and cash balances of approximately HK$13,732,000 (2023: approximately HK$32,698,000) are restricted in use and secured for the mortgage loans applied by the customers and will be released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans.

28. TRADE AND OTHER PAYABLES

	Note	2024	2023
		HK$'000	*HK$'000*
Trade payables	a	**59,285**	69,618
Accruals and other payables		**125,752**	124,738
Due to a related company	b	**10,748**	18,711
Loan interest payables		**306,485**	120,690
Amounts due to directors		**999**	999
Contract liabilities	c	**171,922**	176,125
		675,191	510,881

28. TRADE AND OTHER PAYABLES *(Continued)*

a. Trade payables and bills payables

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

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**3,904**	11,596
31 to 90 days	**11,383**	13,017
91 to 180 days	**8,800**	5,676
Over 180 days	**35,198**	39,329
	59,285	69,618

b. Amounts due to a related company is unsecured, interest-free and repayable on demand.

c. Contract liabilities

	2024	2023	1 July 2022
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities – Property and development	**171,922**	176,125	931,339

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2024	2023
	HK$'000	*HK$'000*
– 2024	**–**	9,157
– 2025	**171,922**	166,968
	171,922	176,125

28. TRADE AND OTHER PAYABLES *(Continued)*

c. Contract liabilities *(Continued)*

Significant changes in contract liabilities during the year:

	2024	2023
	HK\$'000	*HK\$'000*
Increase/(decrease) due to operations in the year	**42,461**	(57,998)
Transfer of contract liabilities to revenue	**46,664**	697,216

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

29. BORROWINGS

	2024	2023
	HK\$'000	*HK\$'000*
Secured bank loans	**369,738**	367,660
Secured other loans	**9,673**	10,804
Unsecured other loans	**679,390**	702,892
	1,058,801	1,081,356
Analysed for reporting purposes as:		
– Non-current liabilities	**21,206**	19,544
– Current liabilities	**1,037,595**	1,061,812
	1,058,801	1,081,356
The Group's borrowings at the end of the reporting period were denominated in the following currencies:		
– RMB	**1,056,421**	1,058,976
– Hong Kong Dollar	**2,380**	22,380
	1,058,801	1,081,356

29. BORROWINGS *(Continued)*

The Group's borrowings at the end of the reporting period were repayable as follows:

	Bank Borrowings		Other Borrowings	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
– Within one year or on demand	**348,532**	348,116	**689,063**	713,696
– More than one year, but not exceeding two years	**21,206**	4,354	**–**	–
– More than two years, but not exceeding five years	**–**	15,190	**–**	–
	369,738	367,660	**689,063**	713,696

The secured bank loans represent loans which are secured by (i) individual and corporate guarantees of the related parties of certain subsidiaries; (ii) corporate guarantee of a subsidiary of the Company; (iii) 51% shareholding of a subsidiary; and (iv) certain land use rights. The loans are arranged at floating rate ranging from 4.65% to 5.40% (30 June 2023: 5.65% to 7.50%) and a fixed interest rate at 7.7% (30 June 2023: 6.50% per annum).

During the year, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) ("Yuanding") defaulted the scheduled settlement of the secured bank loans of RMB319,740,000 (equivalent to HK$343,659,000) and the loan became repayable on demand according to the clauses of agreements. The bank has initiated legal proceedings at the PRC court against Yuanding to demand repayment of bank loans. On 29 December 2023, the Group received a judgement from The Intermediate People's Court of Nanjing, Jiangsu Province, ruled that Yuanding was required to repay the outstanding loan principal, default charges on overdue bank loan of approximately HK$34,627,000, as well as the loans interests and penalty loans interests within 10 days from the effective date of the judgement. It was further noted from a public announcement in December 2023 that the debt has been disposed of by the bank as non-performing loan.

The secured other loans represent loans which are secured by certain completed properties held for sales, at a fixed rate of 16% (2023: ranged from 9.8% to 16%) per annum.

The unsecured loans represent loans which are interest bearing at a range from 4.75% to 18% per annum (30 June 2023: 2.2% to 18%) and repayable on demand.

30. SHAREHOLDERS LOANS

	2024 *HK$'000*	2023 *HK$'000*
Shareholders loans	**285,600**	282,600
Analysed for reporting purposes as:		
– Current liabilities	**285,600**	282,600

Two shareholder's loans due to Mr. Lim Kim Chai in the principal amounts of HK$230,000,000 and HK$20,000,000 respectively are unsecured, interest bearing at 5% and 2.2% per annum respectively and repayable by 31 December 2024. Pursuant to the terms of agreement regarding the Disposal (Note 2), upon the completion of the Disposal and on 22 July 2024, Mr. Lim extended the repayment date of the principal of the shareholders loans amounted to HK$250,000,000 plus accrued interests from 31 December 2024 to 31 December 2027.

The shareholder's loan due to Mr. Low Thiam Herr in the principal amount of HK$32,600,000 is unsecured, interest bearing at 2.2% per annum and repayable within one year. Mr. Low became a shareholder of the Company in December 2023 when he acquired approximately 17.21% of the issued share capital of the Company from Mr. Leung Chung Shan. Mr. Leung was the former chairman and executive director of the Company until his resignation from his office from 15 December 2023. The loan was originally granted by Mr. Leung and was assigned to Mr. Low in November 2023.

Another shareholder's loan due to Mr. Low Thiam Herr in the principal amount of HK$3,000,000 is unsecured, interest bearing at 5% per annum and repayable within 6 months after the date of loan drawdown, i.e. 28 May 2024.

31. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,186**	1,186	**1,117**	1,026
In the second to fifth years, inclusive	**197**	1,383	**195**	1,312
	1,383	2,569		
Less: Future finance charges	**(71)**	(231)		
Present value of lease liabilities	**1,312**	2,338	**1,312**	2,338
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,117)**	(1,026)
Amount due for settlement after 12 months			**195**	1,312

At 30 June 2024, the effective borrowing rates were 8.5% (30 June 2023: 8.5%) per annum. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

32. DEFERRED TAX LIABILITIES

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

	Revaluation of acquisition of subsidiaries	Revaluation of land and buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2022	63,499	14,611	78,110
Debit to equity for the year	–	335	335
Credit to profit or loss *(note 12)*	(24,991)	–	(24,991)
Exchange differences	(3,936)	(1,147)	(5,083)
At 30 June 2023 and 1 July 2023	34,572	13,799	48,371
Debit to equity for the year	–	468	468
Credit to profit or loss *(note 12)*	(31,016)	–	(31,016)
Exchange differences	83	(72)	11
At 30 June 2024	**3,639**	**14,195**	**17,834**

At the end of the reporting period, the Group has unused tax losses of approximately HK$89,360,000 (30 June 2023: HK$67,464,000) available for offset against future profits and such losses maybe carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

33. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

34. SHARE CAPITAL

		Number of shares	Amount
			HK$'000
Authorised:			
Ordinary shares of HK$0.00004 each at 1 July 2022, 30 June 2023, 1 July 2023 and 30 June 2024		25,000,000,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HK$0.00004 each:			
At 1 July 2022 and 30 June 2023		10,721,666,832	429
Issue of shares for debts capitalisation	(a)	2,102,817,178	84
Ordinary shares of HK$0.00004 each at 30 June 2024		12,824,484,010	513

Note:

(a) On 1 August 2023, the Company and a creditor entered into an agreement, pursuant to which the Company agreed to allot and issue, and the creditor agreed to subscribe for an aggregate of 2,102,817,178 shares at the issue price of HK$0.01 per share. The consideration was fully set off against the principal and accrued interest of approximately HK$21,028,000 owed by the Company to the creditor (the "Debt Capitalisation"). The Debt Capitalisation was completed on 11 August 2023. For details, please refer to the announcements of the Company dated 1 August 2023 and 11 August 2023 respectively.

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

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

35. RESERVES

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

(b) Reserves of the Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Warrant reserve *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2022	878,200	635,891	24,226	33,251	(428,318)	1,143,250
Loss for the year	–	–	–	–	(169,679)	(169,679)
At 30 June 2023	878,200	635,891	24,226	33,251	(597,997)	973,571
At 1 July 2023	878,200	635,891	24,226	33,251	(597,997)	973,571
Issue of shares for debts capitalisation *(Note 34(a))*	20,944	–	–	–	–	20,944
Loss for the year	–	–	–	–	(931,907)	(931,907)
At 30 June 2024	899,144	635,891	24,226	33,251	(1,529,904)	62,608

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but maybe applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

35. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Contributed surplus (Continued)

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

(iv) Foreign currency translation reserve

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

(v) Property revaluation reserve

Property revaluation reserve has been set up and are dealt within accordance with the accounting policies adopted for buildings in note 4 to the consolidated financial statements.

(vi) Other reserve

The other reserve comprises all the effect of discounting of shareholders' loan which are not due or payable within one year.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024	2023
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**1**	1
Current assets		
Amounts due from subsidiaries	**530,967**	1,252,959
Other current assets	**906**	175,049
Bank and cash balances	**272**	487
	532,145	1,428,495
Current liabilities		
Amounts due to subsidiaries	**(113,479)**	(98,170)
Borrowings	**(2,380)**	(22,380)
Shareholders loans	**(285,600)**	(282,600)
Other current liabilities	**(67,566)**	(51,346)
	(469,025)	(454,496)
Net current assets	**63,120**	973,999
Total assets less current liabilities	**63,121**	974,000
NET ASSETS	**63,121**	974,000
Capital and reserves		
Share capital	**513**	429
Reserves	**62,608**	973,571
TOTAL EQUITY	**63,121**	974,000

37. BANKING FACILITIES

At 30 June 2024, the Group had banking facilities amounted to approximately HK$55,353,000 (30 June 2023: approximately HK$57,749,000), which were secured by the followings:

(a) certain land and buildings, amounted approximately HK$56,642,000 (30 June 2023: approximately HK$56,612,000) of the Group were pledged to secure banking facilities granted to the Group (note 19); and

(b) guarantee for an unlimited amount duly executed by the Company.

At 30 June 2024, the Group had available approximately HK$29,273,000 (30 June 2023: approximately HK$35,526,000) undrawn borrowing facilities.

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Loan interest payables	Promissory note	Shareholders loans	Borrowings	Lease liabilities	Total liabilities from financing activities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2022	51,028	234,484	290,600	1,231,414	10,738	1,818,264
Changes in cash flows	(9,092)	–	(8,000)	(60,851)	(5,607)	(83,550)
Non–cash changes						
– waiver of promissory note *(note 30)*	–	(225,955)	–	–	–	(225,955)
– lease termination	–	–	–	–	(6,102)	(6,102)
– interest charged	82,727	–	–	3,309	635	86,671
– additions to right-of-use assets	–	–	–	–	2,976	2,976
– exchange difference	(3,973)	(8,529)	–	(92,516)	(302)	(105,320)
At 30 June 2023 and 1 July 2023	120,690	–	282,600	1,081,356	2,338	1,486,984
Changes in cash flows	(2,800)	–	3,000	2,920	(1,185)	1,935
Non-cash changes						
– loan capitalisation *(note 34(a))*	(1,028)	–	–	(20,000)	–	(21,028)
– interest charged	191,488	–	–	–	159	191,647
– exchange difference	(1,865)	–	–	(5,475)	–	(7,340)
At 30 June 2024	**306,485**	**–**	**285,600**	**1,058,801**	**1,312**	**1,652,198**

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the year.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year/period or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Type of legal entity	Issued/ paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
Dongguan Weihang Electrical Product Company Limited	The PRC	Limited liability company	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong		Ordinary shares of HK$2	100%	–	Provision of management services
Fairform Group Limited	BVI		15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong		Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products
Gainford Internationals Inc.	BVI		50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI		10 shares of US$1 each	–	100%	Trademark holding
PT Bara Utama Persada Raya	Republic of Indonesia		4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia		1,000 shares of IDR1,000,000 each	–	100%	Investment holding

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Type of legal entity	Issued/ paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
Yixin Holdings Limited	Hong Kong		Ordinary share of HK$1	100%	–	Money lending
香港中證城市投資有限公司	BVI		10,000 shares of HK$1 each	–	100%	Investment holding
Hong Kong Zhongzheng Industrial Development Limited	Hong Kong		Ordinary share of HK$1,000	–	100%	Investment holding
深圳市中證瑞豐管理有限公司	The PRC	Limited liability company	Registered capital RMB3,880,000	–	100%	Investment holding
承德中證豐達建設開發有限公司	The PRC	Limited liability company	Registered capital RMB50,000,000	–	100%	Investment holding
廣東中證城市發展管理有限公司	The PRC	Limited liability company	Registered capital RMB2,550,000	–	51%	Land development
深圳市中證鵬豐管理有限公司	The PRC	Limited liability company	Registered capital RMB10,000,000	–	100%	Land development
深圳市信證致遠創業投資有限公司	The PRC	Limited liability company	Registered capital RMB10,000,000 RMB2,550,000	–	100%	Fund management
深圳市鴻興展業實業投資有限公司	The PRC	Limited liability company	Registered capital RMB10,000,000	–	100%	Investment holding
東莞禾信房地產開發有限公司	The PRC	Limited liability company	Registered capital RMB10,100,000	–	100%	Property development
南京源鼎置業有限公司	The PRC	Limited liability company	Registered capital RMB40,000,000	–	51%	Property development

The English name is for identification purpose only

41. NON-CONTROLLING INTERESTS

The table below details of non-wholly owned subsidiaries of the Group, which have material non-controlling interests:

Name of subsidiary	**Profit/(loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
南京源鼎置業有限公司	**(168,766)**	(35,374)	**(175,748)**	(9,322)
Individually immaterial subsidiaries with non-controlling interests	**(9)**	(1,243)	**(2,269)**	(2,272)
	(168,775)	(36,617)	**(178,017)**	(11,594)

Summarised financial information in respect of the Group's subsidiary, i.e. 南京源鼎置業有限公司, that has material non-controlling interests is set out below.

南京源鼎置業有限公司 is a subsidiary with 49% (2023: 49%) non-controlling interests that are material to the Group.

Summarised statement of financial position

	2024	2023
	HK$'000	*HK$'000*
Non-current assets	**755**	759
Current assets	**1,089,814**	1,291,375
Current liabilities	**(1,449,239)**	(1,284,604)
Non-current liabilities	**–**	(26,555)
Net assets	**(358,670)**	(19,025)
Net assets attributable to non-controlling interests	**(175,748)**	(9,322)

41. NON-CONTROLLING INTERESTS *(Continued)*

Summarised statement of comprehensive income

	2024	2023
	HK$'000	*HK$'000*
Revenue	**–**	–
Loss for the year	**(344,420)**	(72,192)
Total comprehensive loss for the year	**(339,645)**	(73,743)
Loss attributable to non-controlling interests	**(168,766)**	(35,374)
Total comprehensive loss attributable to non-controlling interests	**(166,426)**	(36,134)

Summarised cash flows

	2024	2023
	HK$'000	*HK$'000*
Net cash used in operating activities	**(19,816)**	4,382
Net cash used in investing activities	**–**	(4)
Net cash used in financing activities	**–**	(36,244)
Net decrease in cash and cash equivalents	**(19,816)**	(31,866)

42. EVENT AFTER THE END OF REPORTING PERIOD

On 6 May 2024, the Group and Mr. Lim Kim Chai, a substantial shareholder of the Company, entered into an agreement ("Disposal Agreement") for the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held the Group's entire properties development projects in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. to for a consideration of HK$53,700,000 (the "Disposal"). The consideration shall be satisfied by the Mr. Lim by offsetting against the outstanding interest accrued on the shareholder's loans owed by the Company to him up to the date of the Disposal Agreement. On 22 July 2024, the Group completed the Disposal and upon the completion of the Disposal, Mr, Lim extended the repayment date of the principal of the shareholders loans amounted to HK$250,000,000 plus accrued interests from 31 December 2024 to 31 December 2027.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 September 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriated, it set out below:

	For the year ended 31 December		For the eighteen months ended 30 June	For the year ended 30 June	
	2019	2020	2022	2023	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	205,781	154,692	208,995	872,910	**148,499**
Operating (loss)/profit after finance costs	(43,767)	(69,244)	(276,998)	237,969	**(824,841)**
Share of results of associates	(27,125)	1,243	(85,310)	(38,208)	**(67,537)**
(Loss)/profit before tax	(70,892)	(68,001)	(362,308)	199,761	**(892,378)**
Income tax (expense)/credit	(1,026)	809	(3)	(167,247)	**24,258**
(Loss)/profit for the year/period	(71,918)	(67,192)	(362,311)	32,514	**(868,120)**
Attributable to:					
Owners of the Company	(70,485)	(53,788)	(347,517)	69,131	**(699,345)**
Non-controlling interests	(1,433)	(13,404)	(14,794)	(36,617)	**(168,775)**
	(71,918)	(67,192)	(362,311)	32,514	**(868,120)**

	As at 31 December		As at 30 June	As at 30 June	
	2019	2020	2022	2023	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	1,825,163	3,715,707	4,122,074	3,025,006	**2,293,705**
Total liabilities	(436,985)	(2,290,814)	(3,106,517)	(2,062,470)	**(2,178,656)**
Net assets	1,388,178	1,424,893	1,015,557	962,536	**115,049**
Equity attributable to:					
Owners of the Company	1,387,731	1,383,993	989,947	974,130	**293,066**
Non-controlling interests	447	40,900	25,610	(11,594)	**(178,017)**
	1,388,178	1,424,893	1,015,557	962,536	**115,049**

SUMMARY OF PROPERTIES UNDER DEVELOPMENT FOR SALES AND PROPERTIES HELD FOR SALES

At 30 June 2024

	Location	Intended use	Stage of Completion	Expected completion Date	Equity interest	Gross floor area (sq. m.)
1.	Naishan, Donggou Town, Liuhe District, Nanjing City Jiangsu Province, the People's Republic of China	Residential, commercial and hotel development	The cover of the first phase residential units have been completed by 90%	2025	51%	340,248
2.	Northern side of Guantai Avenue, Zhouxi Community, Nancheng Jiedao, Dongguan City Guangdong Province, the People's Republic of China	Residential and commercial	Completed	Completed	100%	36,851