

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman
Islands with limited liability)

Stock Code: 8547



ANNUAL REPORT 2024/25

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The original report is prepared in the English language. This report is translated into Chinese. In the event of any inconsistencies between the Chinese and the English versions, the latter shall prevail and it is available on the Company’s website at www.pacificlegendgroup.com.



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

WONG Wing Man

(appointed as Chairperson on 28 June 2024)

WONG Sui Chi (re-designated on 3 June 2024)

LAW Sai Kit (appointed on 3 June 2024)

LAM Chun Hin (appointed on 3 June 2024)

Independent Non-Executive Directors:

SO Alan Wai Shing

LEE Kwong Ming

CHAN Kin Sun

AUTHORISED REPRESENTATIVES

WONG Sui Chi (appointed on 20 November 2024)

WONG Wing Man (appointed on 28 June 2024)

COMPANY SECRETARY

WONG Sui Chi (appointed on 20 November 2024)

AUDIT COMMITTEE

SO Alan Wai Shing (*Chairman*)

LEE Kwong Ming

CHAN Kin Sun (appointed on 28 June 2024)

REMUNERATION COMMITTEE

CHAN Kin Sun (*Chairman*)

(appointed on 28 June 2024)

WONG Wing Man

SO Alan Wai Shing

LEE Kwong Ming

NOMINATION COMMITTEE

LEE Kwong Ming (*Chairman*)

WONG Wing Man

SO Alan Wai Shing

CHAN Kin Sun (appointed on 28 June 2024)

AUDITOR

Jon Gepsom CPA Limited

Registered Public interest Entity Auditor

REGISTERED OFFICE

Cricket Square, Hutchins Drive,

P.O. Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Horizon Plaza,

2 Lee Wing Street,

Ap Lei Chau, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited,

Cricket Square, Hutchins Drive, P.O. Box 2681,

Grand Cayman, KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited,

Suites 3301-04, 33/F.,

Two Chinachem Exchange Square,

338 King's Road,

North Point,

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

Fubon Bank (Hong Kong) Limited

INVESTOR RELATIONS CONTACT

Email: info@pacificlegendgroup.com

COMPANY WEBSITE

<http://www.pacificlegendgroup.com>

STOCK CODE

Hong Kong Stock Exchange (GEM): 8547

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$383.5 million for the eighteen months ended 30 June 2025, representing an increase of approximately HK\$132.9 million or 53.0% as compared with the revenue of approximately HK\$250.6 million for the year ended 31 December 2023.
- The loss of the Group after tax was approximately HK\$5.2 million (including impairment losses on non-current assets of approximately HK\$4.0 million) for the eighteen months ended 30 June 2025, as compared to a loss of approximately HK\$35.9 million for the year ended 31 December 2023 (including impairment losses on non-current assets of approximately HK\$9.2 million).
- No final dividend is recommended by the Board for the eighteen months ended 30 June 2025.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Pacific Legend Group Limited and its subsidiaries (collectively, the “**Group**”) for the eighteen months ended 30 June 2025 (“**Reporting Period**”). This extended reporting period reflects a transitional phase in our financial calendar and offers a comprehensive view of our strategic progress, operational resilience, and commitment to sustainable growth.

BUSINESS REVIEW

The past eighteen months have been marked by both challenges and opportunities. Global supply chain disruptions, inflationary pressures, and shifting consumer behaviour tested our agility. Yet, our Group remained unwavering in our strategic directions to deliver quality and design-forward furniture, and tailored solutions to customers in Hong Kong and Dubai.

We reported a net loss of approximately HK\$5.2 million for the Reporting Period, representing a significant increase compared to the net loss of approximately HK\$35.9 million recorded in the Corresponding Period. The decrease in net loss was mainly attributed to (i) the increase in our gross profit resulting from our revenue growth as we completed three major projects for the relatively new residential properties in Tuen Mun, Yuen Long and Taiipo for a renowned property developer in Hong Kong; (ii) the increase in fair value gain on financial assets through FVTPL, which is an investment in a group company which seeks a listing in Nasdaq in this year; (iii) the decrease in provision for allowance for expected credit losses in current period; and (iv) decrease in impairment losses on non-financial assets in current period.

We also introduced a modular furniture collection tailored for compact urban living, which received positive market feedback and reinforced our brand positioning.

OPERATIONAL EFFICIENCY

We continued to optimise our supply chain by consolidating supplier relationships and investing in inventory management systems. These initiatives helped mitigate cost pressures and improve delivery lead times. We also continued to optimise our business processes and resources to improving the operational efficiency.

LOOKING AHEAD

The Board acknowledges the challenging business environment in which the Group operates in the upcoming year. Our industry continues to be challenged with highly competitive retail market. However, we are committed to continue to explore digital transformation and strategic partnerships to enhance product innovation and customer shopping experiences. Our focus remains on delivering long-term value to shareholders while staying true to our core values of craftsmanship, affordability and sustainability.

APPRECIATION

I would like to express my deepest gratitude to our dedicated employees, loyal customers and supportive shareholders for their unwavering trust and support. Your trust and commitment have been instrumental in weathering through this adverse environment, and we look forward to building an even stronger future together.

Yours faithfully,
Wong Wing Man
Chairperson

Hong Kong, 25 September 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group principally operates three lines of business, namely, (i) sale of home furniture and accessories (“**Furniture Sales**”, which includes retail, corporate sales, online shops, wholesales and franchise); (ii) rental of home furniture and accessories (“**Furniture Rental**”); and (iii) project and hospitality services (“**Projects**”, which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats).

For the eighteen months ended 30 June 2025, the second-hand property market in Hong Kong remained weak due to the continuous change in demography and economic downturn in the last few years. In addition, the general decrease in market sentiment in consumption in Hong Kong brought an adverse impact on the Group’s retail sales in Hong Kong. Furthermore, due to the fierce market competition in Dubai, the United Arab Emirates (“**UAE**”), the Group’s retail sales in UAE were also affected. The Group strategically shifted the focus on Projects business in both Hong Kong and the UAE.

For the eighteen months ended 30 June 2025, the Group’s revenue increased by approximately 53.0% to approximately HK\$383.5 million for the Reporting Period from approximately HK\$250.6 million for the year ended 31 December 2023. The increase was mainly attributable to the revenue from Furniture Sales, Projects and Furniture Rental. The Group’s gross profit increased to approximately HK\$159.4 million for the Reporting Period from approximately HK\$127.1 million for the Corresponding Period, representing an increase of approximately 25.4%. The Group’s gross profit margin decreased from approximately 50.7% for the year ended 31 December 2023 to approximately 41.6% for the Reporting Period as a result of (i) the increase in revenue from Projects which we charged a lower gross profit margin to a large-scale and renowned property developer in Hong Kong; (ii) offering discounts on the retail sales; and (iii) the increase in the cost of sales. The Group recorded a loss attributable to the owners of the Company of approximately HK\$5.6 million for the Reporting Period (Corresponding Period: approximately HK\$33.5 million) as a result of (i) the increase in gross profit; (ii) the increase in fair value gain on an investment in an unlisted equity securities of a group company; and (iii) the decrease in provision for allowance of expected credit losses and impairment losses on non-financial assets in Reporting Period.

The Company has completed three placings of new shares on 2 February 2024, 30 March 2024 and 28 August 2024. The Company raised net proceeds of approximately HK\$4.6 million, HK\$3.2 million and HK\$6.9 million (after deduction of commission and other expenses of the placings), respectively from these placings. The Company also issued 22,500,000, 15,516,000 and 42,700,000 shares, respectively.

On 12 May 2025, the Company completed the rights issue (“**May 2025 Rights Issue**”) and raised net proceeds of approximately HK\$13.6 million (after deducting all necessary costs and expenses).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK

We are still operating within a challenging environment globally as the economy still continues to recover slowly as affected by the rising inflation in various regions, the US-China trade war and the downward pressure on the global economy. For the retail business of the Group in Hong Kong, the Group will manage the cash flow in a prudent manner, strive to improve cost efficiency, diversify financing channels, balance risks and lower operating costs. As such, the Group may consider not renewing the leases of the current retail stores and will reconsider prudently the new locations of the current retail stores.

The Hong Kong government has announced to cancel all demand-side management measures for residential properties including special stamp duty, buyer's stamp duty or new residential stamp duty with effect from 28 February 2024 and plans to develop more private homes in northern part of Hong Kong, according to the Policy Address 2025 issued in September 2025, the Group expects that there will be a general increase in demand for renovation of the residential properties in future and it is believed that more Hong Kong residential property owners or tenants will seek to decorate, refit or renovate their properties. The Group will continue to work with the property developers and introduce more furniture packages for first-hand residential flats buyers, and the Group will expect a potential growth in demand for its Projects businesses in UAE and Hong Kong in the coming years. The Group shall seek and seize opportunities to further expand its businesses by way of organic growth of our existing businesses or acquisition of suitable company(ies) when the suitable opportunity arises.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period was approximately HK\$383.5 million, representing an increase of approximately HK\$132.9 million or 53.0% as compared with that of approximately HK\$250.6 million for Corresponding Period. Such increase was mainly attributable to the increase in revenue from Furniture Sales, Projects and Furniture Rental.

The following table sets forth a breakdown of the Group's revenue by business segments for the eighteen months ended 30 June 2025 and the year ended 31 December 2023:

Revenue by business segments	For the eighteen months ended 30 June 2025		For the year ended 31 December 2023	
	HK\$'000	%	HK\$'000	%
Furniture Sales	169,354	44.2	130,888	52.2
Furniture Rental	33,421	8.7	25,258	10.1
Projects	180,702	47.1	94,420	37.7
Total	<u>383,477</u>	<u>100.0</u>	<u>250,566</u>	<u>100.0</u>

Furniture Sales

The revenue derived from the Furniture Sales increased by approximately HK\$38.5 million or 29.4% from approximately HK\$130.9 million in the Corresponding Period to approximately HK\$169.4 million during the Reporting Period. The increase was mainly attributable to (i) the increase of the sale of home furnitures for residential properties in Dubai for local property owners to improve their living environment and the increase of the sales of furnitures sold to large-scale property developers in Hong Kong for their showflats; (ii) the increase of sales of accessories such as sales of fuel products to wholesale customers in Hong Kong; and (iii) the increase in retail sales in Dubai and Hong Kong by implementing competitive pricing strategies to the customers to boost up the sales.

Furniture Rental

The Group's revenue from the Furniture Rental increased by approximately HK\$8.2 million or 32.4% from approximately HK\$25.3 million in the Corresponding Period to approximately HK\$33.4 million in the Reporting Period. Such growth was mainly attributable to that additional six-months rental income was generated during the Reporting Period as compared to the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Projects

The Group's revenue from Projects increased significantly by approximately 91.4% from approximately HK\$94.4 million in the Corresponding Period to approximately HK\$180.7 million in the Reporting Period. Such increase was mainly attributable to the completion of three major projects for the relatively new residential properties in Tuen Mun, Yuen Long and Taiipo in Hong Kong for a renowned property developer in Hong Kong, which contributed to the growth of this segment revenue in the Reporting Period.

Gross profit

The Group's gross profit margins for our three lines of business varied principally as a result of the composition of the revenues of our Furniture Sales, Furniture Rental and Projects, changing conditions of the markets and their effects on product pricing, product mix and our cost of sales.

The gross profit of the Group increased by approximately HK\$32.3 million or 25.4% from approximately HK\$127.1 million in the Corresponding Period to approximately HK\$159.4 million in Reporting Period, which was in line with the revenue growth. The Group recorded a decrease in overall gross profit margin by approximately 9.1% from approximately 50.7% in the Corresponding Period to approximately 41.6% in Reporting Period, primarily due to the (i) significant increase in relative proportion of revenue from Projects in Reporting Period, which entailed generally a lower profit margin as the Group charged lower gross profit margins for three projects to a renowned property developer in Hong Kong; (ii) offering promotion discounts on Furniture Sales in Hong Kong and Dubai to increase the retail sales; and (iii) the increase in the cost of sales primarily due to the increase in freight costs, purchase costs and written-off of obsolete inventories.

Other income, gains and losses

For the Reporting Period, the Group's other income, gains and losses, net mainly comprised of the gain on disposal of subsidiaries, interest income from finance leases receivables, fair value losses on investment properties, fair value gains on financial assets at FVTPL and sundry income, etc. Such amount increased by approximately HK\$14.1 million or 522.2% from approximately HK\$2.7 million in the Corresponding Period to approximately HK\$16.8 million in Reporting Period, mainly attributable to the increase in the fair value gains on the financial assets at FVTPL, which represented an increased fair value gain on the investment on the equity securities of a group company which seeks a listing in Nasdaq. As the financial results of this group company was further enhanced in the recent financial year, the Group recorded a significant fair value gain on this investment of approximately HK\$16 million during the Reporting Period, which was partially offset by the full impairment of an investment in an unlisted fund and the fair value loss on the investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and distribution expenses

The Group's selling and distribution expenses mainly comprised of staff costs of its sales teams, staff commission, advertising and promotion, freight outwards, credit card commission, agency fees and others, etc. The Group's selling and distribution expenses increased by approximately HK\$17.5 million or 34.4% from approximately HK\$50.9 million in the Corresponding Period to approximately HK\$68.4 million in the Reporting Period. This increase was mainly attributable to the higher commissions fees to the sales persons derived from Projects and the basic salaries of the salespersons in the Reporting Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly comprised of travelling costs, audit fee, legal and professional fee, warehouse expenses, provision for bad debts and repairs and maintenance expenses, depreciation of right-of-use assets, rent and rates and legal professional fee, etc. Such expenses increased by approximately HK\$11.9 million or 12.8% from approximately HK\$93.1 million in the Corresponding Period to approximately HK\$105.0 million in the Reporting Period. Such increase was mainly primarily attributable to the increase in the rent and rates and depreciation of right-of-use assets resulting from the three new rental contracts for retail stores and two new rental contracts for offices as well as the increase in legal professional fees due to conducting more corporate activities such as placing and right issues in the Reporting Period.

Impairment losses

Same as the Corresponding Period, the Group's management identified certain retail stores and business units which under-performed and estimated the recoverable amounts of non-current assets (namely right-of-use assets and property, plant and equipment) attributable or allocated to these stores and business units based on their values-in-use as calculated in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and compared to the carrying value of such assets. The impairment loss of these assets for the Reporting Period amounted to approximately HK\$4.0 million (Corresponding Period: HK\$9.2 million). The Group recorded a decrease in impairment losses in the Reporting Period as the Group made sufficient impairment allowances on certain right-of-use assets and property, plant and equipment in the Corresponding Period. In the Reporting Period, the Group further made a full provision for impairment allowances on the non-refundable deposit for the joint venture during the Reporting Period, given in the opinion of the directors of the Company, the recoverability of the non-refundable deposit was remote and the impairment loss of non-refundable deposit was approximately HK\$4.0 million.

Provision of loss allowance for trade receivables

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the Reporting Period, the Group recorded an impairment loss of approximately HK\$1.1 million (Corresponding Period: an impairment loss of approximately HK\$9.7 million) on the trade and other receivables as a result of improved recoverability of trade receivables during the Reporting Period.

Finance costs

The Group recorded an increase in finance costs from approximately HK\$2.9 million in Corresponding Period to approximately HK\$4.0 million in Reporting Period, primarily due to the increase in bank loans in the Reporting Period for financing the operation in Hong Kong and UAE.

Loss for the year

As a result of the foregoing, the loss after tax of the Group for the Reporting Period amounted to approximately HK\$5.2 million (Corresponding Period: approximately HK\$35.9 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded our operations primarily through net cash flow generated from our operations. The primary uses of cash have been, and are expected to continue to be, operational costs and capital expenditures for business expansion. The Group also uses the banking facilities, right issues in May 2025, the funds from the proceeds from the share offer upon the Company's share listing on the Stock Exchange on 18 July 2018 (the "**Listing**") and the proceeds from the placing of new shares of the Company on 2 February 2024, 30 March 2024 and 28 August 2024 (the "**Placing**") for implementing its future plans and support the operation.

The Group adopts prudent treasury policies. The Group's management has monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for irrecoverable amounts. On top of these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

The Group had cash and cash equivalents of approximately HK\$4.9 million as at 30 June 2025 (31 December 2023: approximately HK\$23.3 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/regions in which the Group's subsidiaries operate. As at 30 June 2025, the Group had total interest-bearing bank borrowings and other borrowings of approximately HK\$18.6 million (31 December 2023: HK\$11.6 million). All borrowings are borrowed as a fixed interest rate. For further details, please refer to Note 26. The borrowings of the Group were denominated in United Arab Emirates Dirham ("**AED**"), Hong Kong dollars and Renminbi as at 30 June 2025 (31 December 2023: Hong Kong dollars ("**HK\$**") and AED).

The Group's current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2025 (31 December 2023: approximately 1.2 times). The increase was mainly due to (i) the increase in financial assets through FVTPL due to the increase in fair value gain on the investment on the equity securities of a group company which seeks listing in Nasdaq; and (ii) the decrease in contract liabilities as a result of the recognition of contract liabilities as revenue since three major projects were completed during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GEARING RATIO

The Group monitors capital using a gearing ratio, which is the Group's total debts (interest-bearing bank borrowings and other borrowings) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2025 was approximately 30.7% (31 December 2023: approximately 30.1%).

PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 30 June 2025 (31 December 2023: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. The Group's several subsidiaries have trade and other receivables and cash and cash equivalents which are mainly denominated HK\$ and AED at the end of the reporting period.

The Group does not have foreign currency hedging arrangement but will closely monitor the exposure and take measures when necessary.

CAPITAL COMMITMENTS

As at 30 June 2025 and 31 December 2023, the Group did not have any material capital commitments.

SIGNIFICANT INVESTMENT HELD

Financial assets through FVTPL

On 9 October 2023 (after trading hours), GPD Investment Company Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement dated 9 October 2023 with the MPJS Group Limited (the "**MPJS Group**"), pursuant to which GPD Investment Company Limited agreed to subscribe for, and MPJS Group agreed to allot and issue to GPD Investment Company Limited, 67 new ordinary shares of the MPJS Group the aggregate subscription price of HK\$4,000,000. Upon completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement, GPD Investment Company Limited will hold a total of 67 ordinary shares of the MPJS Group, representing approximately 6.7% of the entire share capital of the MPJS Group. On March 17, 2025, MPJS Group issued 28,499,000 Ordinary Shares to the existing shareholders pro rata. Upon the completion of share issuance, GPD Investment Company Limited held 1,909,500 ordinary shares of MPJS Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 30 April 2025 (after trading hours), MPJS Group and GPD Investment Company Limited (the “Subscriber”), a wholly-owned subsidiary of the Company, entered into a supplemental deed to amend and modify certain terms of the subscription agreement, pursuant to which the MPJS Group and the Subscriber agreed to (i) extend the put option granted to the Subscriber to cover all shares beneficially owned by the Subscriber at the time the Subscriber exercises the put option; and (ii) in the event that MPJS Group successfully completes its proposed listing, the Subscriber shall not sell, transfer or otherwise dispose of any shares or similar securities in MPJS Group for a period of six (6) months following the execution of the underwriting agreement relating to the proposed listing without the prior written consent of the representatives of the underwriters.

The fair value of MPJS Group was HK\$20 million as at 30 June 2025, representing approximately 14.7% of the Group’s total assets as at 30 June 2025. Accordingly, the Group recorded an unrealised fair value gain on financial assets through FVTPL of HK\$16.0 million for the eighteen months ended 30 June 2025. The Company did not receive any dividend from MPJS Group during the Reporting Period.

MPJS Group is a holding company established under the laws of the BVI in September 2023 and its operating subsidiaries are jewelry retailers based in Hong Kong. MPJS Group has filed a submission for application for listing in Nasdaq in April 2025.

The Group has continued to seek and seize opportunities to further expand its businesses by way of organic growth of our existing businesses or acquisition of suitable company(ies) when the suitable opportunity arises. The investment of MPJS Group was one of investments of the Group, which is in line with the corporate strategies of the Group.

For details, please refer to the Company’s announcements dated 9 October 2023 and 2 May 2025.

As at 30 June 2025, the Group’s interests in associates amounted to approximately HK\$19.7 million (31 December 2023: approximately HK\$13.5 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2025, the Group did not have plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 30 June 2025 and 31 December 2023, the Group had no significant contingent liabilities.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As disclosed in the Company's announcement dated 1 February 2024, having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the use of the unutilised net proceeds of HK\$10.8 million ("**Unutilised Net Proceeds**"). The following table sets forth the status of the use of the Net Proceeds as at 30 June 2025:

	Original allocation of Net Proceeds as stated in the prospectus of the Company dated 29 June 2018 (the "Prospectus") HK\$'000 (approximately)	Revised allocation of the Net Proceeds as disclosed in the announcement of the Company dated 18 February 2022 HK\$'000 (approximately)	Utilised Net Proceeds as at the date of the announcement of the Company dated 1 February 2024 HK\$'000 (approximately)	Unutilised Net Proceeds as at the date of the announcement of the Company dated 1 February 2024 HK\$'000 (approximately)	Further revised allocation of Unutilised Net Proceeds HK\$'000 (approximately)	Utilised Net Proceeds up to 30 June 2025 HK\$'000 (approximately)	Unutilised Net Proceeds as at 30 June 2025 HK\$'000 (approximately)
Expand the Group's retail network by opening additional retail stores in PRC and UAE	28,382	12,284	(4,186)	8,098	-	-	-
Expand the Group's retail network by opening additional retail stores in Hong Kong	-	2,000	(1,575)	425	-	-	-
Enhance the Group's online shop and the Group's information technology capability	3,893	3,000	(2,128)	872	1,200	(1,200)	-
Recruitment of additional staff	5,545	-	-	-	-	-	-
Recruitment for the Group's planned new retail stores in PRC and UAE	1,556	1,392	-	1,392	-	-	-
Increasing the Group's inventory	5,056	-	-	-	-	-	-
Engaging in the Furniture Supply Projects	-	-	-	-	9,587	(9,587)	-
General working capital	4,043	5,000	(5,000)	-	-	-	-
	<u>48,475</u>	<u>23,676</u>	<u>(12,889)</u>	<u>10,787</u>	<u>10,787</u>	<u>(10,787)</u>	<u>-</u>

USE OF PROCEEDS FROM THE PLACING

(a) The First Placing in February 2024

The net proceeds from a placing of the 22,500,000 new shares of the Company on 2 February 2024 ("**First Placing 2024**"), after deduction of placing commission and other fees, costs, charges and expenses of the placing are approximately HK\$4.60 million. The Company intends to apply the net proceeds from the placing to general working capital of the Group, as disclosed in the announcement of the dated 17 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(b) The Second Placing in March 2024

The net proceeds from the placing of the 15,516,000 new shares of the Company on 20 March 2024 (“**Second Placing 2024**”), after deduction of placing commission and other fees, costs, charges and expenses of the placing are approximately HK\$3.18 million. The Company intends to apply the net proceeds from the placing to (a) the possible merger and acquisition opportunities and (b) general working capital of the Group as disclosed in the announcement dated 4 March 2024.

(c) The Placing in June 2023

As disclosed in the Company’s announcement dated 1 February 2024, given the fact that the Company has not identified other suitable acquisition targets or investment opportunities at that moment and considering that the Group may need further capital to finance and support its daily operation after taking into account the Group’s engagement in the possible projects with some local developers involving supply of furniture package, in order to better deploy the resources of the Group, the Board has resolved to reallocate the balance of the net proceeds from the placing of 230,700,000 new shares of the Company (the “**June 2023 Placing**”) of approximately HK\$5.3 million from financing possible investment in businesses to general working capital for daily operations. Set out below is the actual use of net proceeds up to the date of this annual report.

(d) The Third Placing in August 2024

The net proceeds from a placing of the 42,700,000 new shares of the Company on 28 August 2024 (“**Third Placing 2024**”), after deduction of placing commission and other fees, costs, charges and expenses of the placing are approximately HK\$6.88 million. The Company intends to apply the net proceeds from the placing to general working capital of the Group, as disclosed in the announcement of the dated 28 August 2024.

Set out below is the actual use of net proceeds from placings during the eighteen months ended 30 June 2025.

Event	Use of Proceeds	Approximate net proceeds HK\$'000	Approximate amount utilized during the eighteen months ended 30 June 2025 HK\$'000	Approximate unutilized net proceeds as at 30 June 2025 HK\$'000
June 2023 Placing	General working capital for operations	5,300	(5,300)	Fully utilized
First Placing 2024	General working capital for operations	4,600	(4,600)	Fully utilized
Second Placing 2024	General working capital for operations	3,180	(3,180)	Fully utilized
Third Placing 2024	General working capital for operations	6,880	(6,880)	Fully utilized

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 12 May 2025, the Company completed a rights issue of 53,493,500 rights shares at a subscription price of HK\$0.1 on the basis of one rights share for every two existing shares (“**Right Issues**”) held by the qualifying shareholders, and a placing of 83,350,000 unsubscribed rights shares at the price of HK\$0.1 per share. The net proceeds from the Rights Issue were approximately HK\$13.3 million.

Set out below is the actual use of net proceeds from the Right Issue during the eighteen months ended 30 June 2025.

Use of net proceeds	Net proceeds HK\$' million	Unutilised net proceeds as at 31 December 2023 HK\$' million	Net proceeds utilised during eighteen months ended 30 June 2025 HK\$' million	Expected timeline on utilisation of unutilised net proceeds HK\$' million
Payment of salary and remuneration expenses	2.3	–	(2.3)	N/A
Payment of rental expenses	3.0	–	(3.0)	N/A
Trade related expenses including payments to suppliers, warehouse and logistics teams	8.0	–	(8.0)	N/A

There are no material changes between the intended use of proceeds from the Rights Issue and the actual use of the net proceeds from the Right Issue.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establishing and ensuring high standards of corporate governance and adopt sound corporate governance practices on the basis of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the GEM Listing Rules. The Board recognizes that good governance is vital for the long-term success and sustainability of our businesses.

This Corporate Governance Report is presented for the Reporting Period. The Directors consider that the Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairperson and CEO is necessary. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2025, the employee headcount (including executive Directors) of the Group was 90 (31 December 2023: 151) and the total staff costs, including share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK\$92.3 million in the Reporting Period (Corresponding Period: approximately HK\$72.8 million).

The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed and approved by the Board, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

The Group participates in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under rules and regulations of Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) (the "**MPF Ordinance**") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the People's Republic of China (excluding Hong Kong and Macao) (the "**PRC**") are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

During the eighteen months ended 30 June 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to the Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the Reporting Period. The Company was not aware of any non-compliance during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 15 August 2025, the Board proposes to change the English name of the Company from "Pacific Legend Group Limited" to "Zhongjin Group Holdings Limited", and to adopt the Chinese name "中經集團控股有限公司" as the secondary name of the Company (the "**Proposed Change of Company Name**") subject to the following conditions:

- 1) the passing of a special resolution by the shareholders of the Company approving the Proposed Change of Company Name at an extraordinary general meeting of the Company; and
- 2) the Registrar of Companies in Cayman Islands granting approval for the Proposed Change of Company Name.

On 29 August 2025 (after trading hours), the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 82,107,900 placing shares, to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.468 per placing Share. However, on 18 September 2025, the Board announced that as the conditions precedent set out in the placing agreement were not fulfilled on or before 18 September 2025, the placing agreement has lapsed and the placing will not proceed. All obligations of the placing agent and of the Company hereunder shall cease and determine and none of the parties shall have any claim against the other in relation to the placing agreement.

On 25 September 2025 (after trading hours), the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 82,107,900 placing shares, to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.208 per placing share. However, on 17 October 2025, the Board announced that as the conditions precedent set out in the placing agreement were not fulfilled on or before 17 October 2025, the placing agreement has lapsed and the placing will not proceed. All obligations of the placing agent and of the Company hereunder shall cease and determine and none of the parties shall have any claim against the other in relation to the placing agreement.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. WONG Wing Man (“Ms. WONG”), aged 48, was appointed as an executive Director with effect from 15 March 2023 and was appointed as the chairperson of the Board and one of the authorised representatives of the Company on 28 June 2024. She is also a member of our Remuneration Committee and Nomination Committee. She is currently a director and sole owner of Century Great Investments Limited, an investment holding company and also a substantial shareholder of the Company. Ms. WONG has more than 13 years of experience in customer relationship management, marketing, human resources management and administration. Ms. WONG holds a Master of business administration degree from Hong Kong Baptist University, a Postgraduate Diploma in Professional Accounting from Hong Kong Baptist University, and a Bachelor of Business Administrative Management from University of South Australia.

Mr. WONG Sui Chi (“Mr. WONG”), aged 57, has been an executive Director since 3 June 2024. Mr. WONG is also the Company’s Company Secretary and one of the authorised representative of the Company since 20 November 2024. He was an independent non-executive Director from 18 September 2023 to 2 June 2024. Mr. WONG has over 30 years of extensive experience in finance and accounting, including but not limited to, financial management, corporate management and auditing. He has been serving in international accounting firms, manufacturing and retailing companies, listed property development company, securities and futures brokerage company. He is serving as an independent non-executive director of Hong Kong Entertainment International Holdings Limited (a company listed on the Stock Exchange (stock code: 8291) since February 2017.

Mr. WONG received a Bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in PRC from The Hong Kong Polytechnic University in August 2004. Mr. WONG is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

Mr. LAW Sai Kit (“Mr. LAW”), aged 52, has been an executive Director since 3 June 2024. Mr. Law has over 30 years of experience in the transportation and logistics industry. From 1992 to present, he worked as a transport logistics manager at an international logistics company where he is mainly responsible for coordinating and managing the company’s transportation department and to develop and implement shipping strategies. Since May 2024, he has been appointed director of Indigo Living Limited, a subsidiary of the Company. Mr. LAW is the brother-in-law of Ms. Wong Wing Man, an executive Director and substantial shareholder of the Company.

Mr. LAM Chun Hin (“Mr. LAM”), aged 28, has been an executive Director since 3 June 2024. Mr. Lam received a bachelor degree in economics and business administration from the Northeastern University, Boston, United States of America in August 2019 and a master degree in finance from King’s College London, United Kingdom in December 2022. He is currently a sole director and sole owner of Prime Provisions Limited, a trading company incorporated in Hong Kong. Since June 2024, he joined the Group as finance manager of the subsidiary of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SO Alan Wai Shing, aged 58, has been an independent non-executive Director since 23 February 2021. He is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. He is currently the sole proprietor of Alan So & Co., Certified Public Accountants. He has more than 26 years of experience in audit and accounting field and is currently a registered practicing member of the Hong Kong Institute of Certified Public Accountants. From May 2012 to February 2014, he was the chief financial officer and company secretary of Huazhang Technology Holding Limited (a company then listed on the GEM of the Stock Exchange with stock code 8276, now listed on the Main Board of the Stock Exchange with stock code 1673). From August 2016 to October 2019, he was the chief financial officer of Royale Furniture Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code 1198). Mr. SO holds a bachelor's degree in business majoring in accounting from Edith Cowan University and a master's degree in business administration from The Open University of Hong Kong.

Mr. LEE Kwong Ming, aged 53, has been an independent non-executive Director since 22 April 2021. He is also the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. He is a fellow member and a practising certificate holder of Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of International Accountants. He was serving as an independent non-executive director of Flydoo Technology Holding Limited (formerly known as WWPKG Holdings Company Limited) (Stock Code: 08069, a company listed on GEM of the Stock Exchange of Hong Kong Limited) from 4 July 2022 to 20 March 2024. He is currently full-time practising on his own name and has more than 28 years of experience in audit, tax and company secretarial services.

Mr. CHAN Kin Sun ("Mr. CHAN"), aged 55, has been an independent non-executive Director since 1 December 2023. He is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. CHAN obtained his Master of Science in Manufacturing Systems Engineering from the University of Warwick, United Kingdom, in 2001. He was awarded the Executive Diploma in Six Sigma Black Belt in 2009. He has been working as the Honorary Advisor in Global Institute of Management since 2012 which is a non-profit making organization promoting academic and professional knowledge of management personnel and contributing to the tertiary education, research and professional training in Hong Kong and PRC. Mr. CHAN has over 21 years of experience in manufacturing engineering, quality control, research and development and procurement in consumer electronics products sector.

SENIOR MANAGEMENT

Mr. WONG Sui Chi was appointed as the Company Secretary of the Company on 20 November 2024. For details, please refer to the paragraph headed "EXECUTIVE DIRECTORS" above.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the eighteen months ended 30 June 2025 (the “**Reporting Period**”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 85 of this annual report.

The Directors did not recommend the payment of a final dividend for the Reporting Period.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the Reporting Period and an analysis of the likely future development of the Group's business are set out in the Management Discussion and Analysis from pages 6 to 18 to this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Description of the principal risks and uncertainties faced by the Group are set out in the note 36 to the consolidated financial statements. The Company's approach on risk management is set out in Corporate Governance Report from pages 38 to 52 of this annual report.

ENVIRONMENT POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

In addition, discussion on the key relationships with the Company's key stakeholders, the Group's environmental policies and performance as well as compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Environmental, Social and Governance Report from pages 53 to 78 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements.

RETAINED PROFITS/ACCUMULATED LOSSES

Details of movements in the retained profits of the Group during the Reporting Period are set out on page 88 of this annual report.

DIRECTORS' REPORT (CONTINUED)

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 June 2025, the Company's reserve available for distribution to the shareholders of the Company (the "**Shareholders**") amounted to HK\$13,903,000 (31 December 2023: HK\$10,992,000).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 200 of this annual report.

INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 30 June 2025 are set out in the consolidated statement of financial position and note 26 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as defined and disclosed in note 33 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS

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

Executive Directors:

Mr. John Warren MCLENNAN (retired on 28 June 2024)

Ms. Shawlain AHMIN (retired on 28 June 2024)

Ms. WONG Wing Man

Mr. WONG Sui Chi (re-designated on 3 June 2024)

Mr. LAW Sai Kit (appointed on 3 June 2024)

Mr. LAM Chun Hin (appointed on 3 June 2024)

Independent Non-Executive Directors:

Mr. SO Alan Wai Shing

Mr. LEE Kwong Ming

Mr. LEE Fung Lun (retired on 28 June 2024)

Mr. CHAN Kin Sun

Biographical details of the Directors and senior management as at the date of this report are set out from pages 19 to 20 of this annual report. Details of Directors' remuneration are set out in note 9 to the consolidated financial statements.

Pursuant to Article 84(1) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. WONG Wing Man, Mr. LEE Kwong Ming and Mr. LAM Chun Hin will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the Reporting Period and up to the date of this annual report are set out below:

Mr. John Warren MCLENNAN
 Ms. WONG Wing Man (*note 1*)
 Mr. LAW Sai Kit (*note 1*)
 Mr. LAM Chun Hin (*note 1*)

Notes:

(1) Also Directors of the Company.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the heading "Connected Transactions" in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the company or an entity connected with a Director had a material interest, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

The particulars of the contracts of significance between the Group and the Controlling Shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries are set out under the paragraph headed "Connected Transactions" in this report.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this report, the Company has in force permitted indemnity provisions which are provided for in the Company's Articles of Association and in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the members of the Group respectively.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

Details of the remuneration bands of members of senior management of the Group are set out in note 35 to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2025, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571 of the laws of Hong Kong (the “SFO”)) held by the Directors and chief executives of the Company (the “**Chief Executives**”) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

(i) Long position in the shares of the Company (the “Shares”)

Name	Capacity/ Nature of Interest	Number of Shares held	Number of share options granted (note 1)	Total	Percentage of shareholding (note 2)
Ms. Wong Wing Man	Interest in a controlled corporation (note 3)	71,425,500	410,000	71,835,500	17.50%
Mr. Law Sai Kit (note 4)	Beneficial interests	–	410,000	410,000	0.10%
Mr. Lam Chun Hin (note 4)	Beneficial interests	–	410,000	410,000	0.10%
Mr. Wong Sui Chi (note 4)	Beneficial interests	–	410,000	410,000	0.10%
Mr. So Alan Wai Shing (note 4)	Beneficial interests	–	410,000	410,000	0.10%
Mr. Lee Kwong Ming (note 4)	Beneficial interests	–	410,000	410,000	0.10%
Mr. Chan Kin Sun (note 4)	Beneficial interests	–	410,000	410,000	0.10%

Notes:

- (1) These share options were granted by the Company under the Share Option Scheme.
- (2) The calculation is based on the total number of 410,539,500 Shares in issue as at 30 June 2025.
- (3) Century Great Investments Limited is 100% owned by Ms. Wong Wing Man and is deemed to be interested in all the Shares owned by Century Great Investments Limited.
- (4) Share options were granted by the Company pursuant to a Share Option Scheme.

(ii) Long position in the shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of shares of US\$1.00 each in our associated corporation held	Approximate percentage of shareholding in our associated corporation
Ms. Wong Wing Man	Century Great Investments Limited	Beneficial interest	1	100%

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Share option scheme adopted on 19 June 2018

On 19 June 2018, the Company has adopted a share option scheme (the “**Share Option Scheme**”).

The purpose of the scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries.

The participants of the scheme

Eligible participants of the Share Option Scheme include full-time employees, executives or officers (including executive and independent non-executive directors) of the Company and/or its subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or such subsidiaries.

The total number of shares available for issue

The total number of shares available for issue under the scheme is 10,000,000 shares, representing 2.4% of the issued share capital of the Company as of the latest practicable date prior to the issue of this annual report.

The maximum entitlement of each participant under the scheme

The share option grant will not result in (i) any independent non-executive Director, a substantial shareholder, or any of their respective associates, having the shares issued and to be issued under options (including the share options) and awards granted (excluding any options and awards lapsed) in the 12-month period up to and including the date of grant exceeding the 0.1% limit under Rule 23.04(3) of the GEM Listing Rules; and (ii) any of the other grantees having the shares issued and to be issued under options (including the share options) and awards granted (excluding any options and awards lapsed) in the 12-month period up to and including the date of grant exceeding the 1% individual limit under Rule 23.03D(1) of the GEM Listing Rules. None of the grants are subject to the approval by the shareholders.

Exercise Period and Vesting Period

All share options granted shall be vested on the first anniversary date of 13 June 2025 (the “**Date of Grant**”) and may be exercised from 13 June 2026 to 12 June 2027 (both days inclusive).

DIRECTORS' REPORT (CONTINUED)

The basis of determining the exercise price of options granted or the purchase price of shares awarded

The exercise price for a share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The remaining life of the scheme was 1.95 years. Share options are granted to the eligible participants at a consideration of HK\$1. An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer is made. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Details of the share options movements during the period ended 30 June 2025 under the Share Option Scheme are as follows:

Name of grantee	Date of grant	Exercisable period	Subscription price per share HK\$	At 1 January 2024	Granted during the period	Cancelled during the period	At 30 June 2025
Directors							
Wong Wing Man	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Law Sai Kit	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Lam Chun Hin	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Wong Sui Chi	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
So Alan Wai Shing	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Lee Kwong Ming	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Chan Kin Sun	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	410,000	–	410,000
Employees (in aggregate)	13 June 2025	13 June 2026 to 12 June 2027	0.166	0	6,730,000	–	6,730,000
Total				0	9,600,000	–	9,600,000

DIRECTORS' REPORT (CONTINUED)

COMPETING INTERESTS

The Company has received an annual confirmation from each of the Directors that they have not carried on any activities which compete or may compete with the business of the Group, nor were there any conflict of interest which each of them and their respective close associates have or may have with the Group during the Reporting Period.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the Reporting Period, which did not constitute connected transactions and were not required to be disclosed under the GEM Listing Rules, are disclosed in note 35 to the consolidated financial statements.

Other related party transactions entered into by the Group during the Reporting Period and up to the date of this annual report, which fall under the definition of “connected transactions” or “continuing connected transactions” and not exempted under Rule 20.29 and Rule 20.31 of the GEM Listing Rules, are as follows:

UAE Transactions

The table below sets forth the connected persons of the Company involved in the UAE Transactions and the nature of their respective connections with the Group:

Name of connected person	Connected relationship
Links Commercial Brokers LLC (the “ UAE Nominee ”)	The UAE Nominee is a corporate nominee service provider. The UAE Nominee owns 51% legal interests in Indigo Living LLC (“ Indigo Dubai ”) and, through the Contractual Arrangements (as defined below), has enabled our Group to have 100% control over Indigo Dubai. The UAE Nominee is regarded as a connected person of our Company.
Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi	Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi owns 90% of the UAE Nominee and is therefore a connected person of the Company.
Ms. Maimoona Abdulla Ali Ahmed Alrais	Ms. Maimoona Abdulla Ali Ahmed Alrais is the spouse of Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi and is therefore a connected person of the Company.

As disclosed in the section headed “Contractual Arrangements” of Prospectus, the United Arab Emirates (the “**UAE**”) laws limits non-Gulf Cooperation Council/UAE Entities to owning no more than 49% of the share capital in a UAE limited company, and the Anti-Fronting Law, on its face, has the effect of prohibiting situations where companies seek to circumvent the 51/49 foreign ownership restrictions. As a result, in order to protect our Group’s interests in the UAE, our Group, the UAE Nominee, a limited company incorporated under the laws of the UAE and the registered holder of 51% equity interest in Indigo Dubai and is a corporate nominee services provider pursuant to the Contractual Arrangements, and its shareholders entered into the following two transactions (collectively the “**UAE Transactions**”):

DIRECTORS' REPORT (CONTINUED)

(i) **Service Agreement**

Pursuant to the terms of a service agreement (the “**Service Agreement**”) dated 29 March 2018, the UAE Nominee will assist Deep Ocean SPV and/or Indigo Dubai to obtain and maintain company registration and licenses, apply visas for employees of Indigo Dubai and their respective family members to work and stay in the UAE and assist with other company secretarial and legal matters necessary for Deep Ocean SPV and Indigo Dubai to operate in the UAE.

For the Reporting Period, the Group paid the UAE Nominee AED Nil (Corresponding Period: Nil) for the above-mentioned services in relation to Indigo Dubai.

(ii) **Contractual Arrangement**

There are a series of agreements narrowly tailored to provide the Group with control and ownership over Indigo Dubai, achieve the business purposes of the Group, minimise the potential for conflict with the relevant UAE laws and regulations and grant the Group the right to acquire the equity interests of Indigo Dubai when permitted by the UAE laws and regulations.

The series of agreements (the “**Contractual Arrangements**”) comprise:

- (1) Loan agreement dated 7 March 2018 and entered into among Pacific Legend Development Limited (“**Pacific Legend Development**”) as lender, the UAE Nominee as borrower and Deep Ocean SPV (the “**Loan Agreement**”) provides that:
 - (a) Pacific Legend Development lends to the UAE Nominee in the amount of US\$10,000 (for subscribing the entire share capital of Deep Ocean SPV) and approximately AED13.9 million (for paying 51% of Indigo Dubai, which value was by reference to the unaudited net asset value of Indigo Dubai as at 31 December 2017).
 - (b) The loan is interest free.
 - (c) The UAE Nominee gave an undertaking to Pacific Legend Development including but not limited to the following: (i) not to mortgage, charge, pledge or otherwise encumber the shares of Deep Ocean SPV; (ii) to direct all dividend from Deep Ocean SPV to be paid to Pacific Legend Development; (iii) to keep the 100% shareholding in Deep Ocean SPV isolated from any of the other transactions (including those in the ordinary course of business) of the UAE Nominee; and (iv) not to sell, transfer or otherwise dispose of the shares of Deep Ocean SPV without prior notice and written consent of Pacific Legend Development.
 - (d) The UAE Nominee shall distribute the dividends, income, assets and capital of Deep Ocean SPV according to the instruction of Pacific Legend Development.

DIRECTORS' REPORT (CONTINUED)

- (e) Repayment of the loan may only be made by the UAE Nominee transferring the entire share capital of Deep Ocean SPV to Pacific Legend Development or, where the law permits, to any third party designated in the sole and absolute discretion by Pacific Legend Development.
 - (f) The Loan Agreement shall remain valid until the loan is fully repaid or upon the happening of (i) material default on the part of the UAE Nominee to observe or perform the terms and conditions of the Loan Agreement, (ii) the UAE Nominee compounds with its creditors in consequence of debt or is being threatened to satisfy the debt of its creditors with any of the assets of the UAE Nominee, (iii) Pacific Legend Development is permitted under the laws of Abu Dhabi Global Market of the Emirates of Abu Dhabi of the UAE ("**ADGM**") or the UAE to hold Indigo Dubai in its own name, or (iv) upon the bankruptcy of the UAE Nominee.
- (2) Share charge dated 7 March 2018 entered into by the UAE Nominee in favour of Pacific Legend Development (the "**Share Charge**") under which the UAE Nominee agrees (i) to charge the entire shares in Deep Ocean SPV to Pacific Legend Development as continuing security for the payment of the loans pursuant to the Loan Agreement; (ii) that Pacific Legend Development are entitled to the dividends paid on the shares of Indigo Dubai that are held by the UAE Nominee and/or Deep Ocean SPV; (iii) not to create any security interest over or assign or transfer its rights or obligation under the Share Charge without prior notice to and written consent of Pacific Legend Development; and (iv) Pacific Legend Development shall retain possession of the share certificate of Deep Ocean SPV as securities for the repayment of the loan under the Loan Agreement. On 11 March 2018, the Share Charge was registered with the ADGM pursuant to the ADGM Companies Law Regulations, which also govern the registration and enforcement of charges in the ADGM. Due to such registration, even upon the death of any of the shareholders of the UAE Nominee, the interests of Pacific Legend Development in Indigo Dubai are protected. Until the UAE Nominee repays the loan fully under the Loan Agreement, the UAE Nominee continues to hold 100% of Deep Ocean SPV.
- (3) Proxy dated 29 March 2018 entered into by Deep Ocean SPV in favour of Pacific Legend Development (the "**Proxy**") under which Deep Ocean SPV irrevocably appoints the nominee of Pacific Legend Development to be its proxy to vote at shareholders' meetings of Indigo Dubai in respect of any existing or further shares of Indigo Dubai which may have been or may from time to time be issued and/or registered in the name of Deep Ocean SPV.
- (4) Special power of attorney notarised on 18 April 2018 and entered into by the UAE Nominee in favour of Pacific Legend Development (the "**SPOA**") under which, pursuant to the terms of the Loan Agreement, the UAE Nominee appointed the nominee of Pacific Legend Development to receive all bonus shares and other rights attaching or accruing to the shares of Deep Ocean SPV including the right to transfer the shares of Deep Ocean SPV to another nominee should the UAE Nominee be in breach of its obligations and grant the power to Pacific Legend Development's directors and their successors (including the rights to vote in a shareholders' meeting of Deep Ocean SPV, sign minutes, file documents with the ADGM; the UAE Nominee shall ensure that the SPOA does not give rise to any potential conflicts of interest.

DIRECTORS' REPORT (CONTINUED)

- (5) Undertaking dated 29 March 2018 entered into by the UAE Nominee, Deep Ocean SPV and the shareholders of the UAE Nominee in favour of Pacific Legend Development (the “**Undertaking**”) provides that the UAE Nominee irrevocably undertakes the following:
 - (a) the UAE Nominee will terminate and unwind the Contractual Arrangements as soon as the UAE allows Indigo Dubai to be owned without a local 51% shareholder;
 - (b) the UAE Nominee will return to Pacific Legend Development any consideration they receive in the event that Pacific Legend Development acquires the 51% of Indigo Dubai from the UAE Nominee; and
 - (c) the UAE Nominee ensures that the Contractual Arrangements will not give rise to any potential conflicts of interest at Indigo Dubai.
- (6) General power of attorney notarised on 3 April 2018 and entered into by Pacific Legend Development and Deep Ocean SPV in favour of Mr. MCLENNAN (the “**GPOA**”) to have full rights of management of Indigo Dubai. According to our UAE Legal Advisers, the GPOA was duly notarised and cannot be revoked other than by all the parties to the GPOA.
- (7) Instrument of sale of shares and supplemental agreement to the memorandum of association of Indigo Living LLC was notarised on 1 August 2023 and entered into by Deep Ocean SPV Limited, Pacific Legend Development Limited and Mr. Gavin Quill in which Deep Ocean SPV Limited wishes to transfer its entire shareholding of 51% of total shareholding of Indigo Living LLC to Pacific Legend Development Limited and Pacific Legend Development Limited wishes to transfer 3% of the total shareholding of Indigo Living LLC to Mr. Gavin Quill.

There was no additional payment from our Group to the UAE Nominee in respect of the Contractual Arrangements.

The Directors believe that the Company's structure whereby Indigo Dubai's financial results are consolidated into the Company's consolidated financial statements as if Indigo Dubai was a wholly-owned subsidiary and the flow of economic benefits from their business to the Company, places the Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 20 of the GEM Listing Rules, the Directors consider that it would be unduly burdensome and impracticable and would impose unnecessary administrative costs on us to be subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules in respect of these continuing connected transactions. Accordingly, the Company has, pursuant to the GEM Listing Rules, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements relating to these continuing connected transactions under the GEM Listing Rules. In addition, the Directors confirm that the Company has complied and will continue to comply with the applicable provisions under the GEM Listing Rules.

DIRECTORS' REPORT (CONTINUED)

The Directors, including all the independent non-executive Directors, have reviewed the UAE Transactions and confirmed that they have been entered into:

- i. the transactions carried out during such year have been entered into in accordance with the relevant provisions of the UAE Transactions so that the revenue generated by Indigo Dubai have been mainly retained by our Group;
- ii. no dividends or other distributions have been made by Indigo Dubai to the holders of its equity interests which are not retained by assigned or transferred to our Group ; and
- iii. the UAE Transactions entered into, renewed or reproduced between the UAE Nominee and our Group during the Reporting Period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

The Company's auditor has reported to the Directors in their letter that based on their work performed:

- i. the UAE Transactions have received the approval of our Directors;
- ii. the UAE Transactions have been entered into in accordance with the relevant UAE Transactions; and
- iii. no dividends or other distributions have been made by Indigo Dubai to the holders of its equity interests which are not retained by or assigned or transferred to our Group;

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions and continuing connected transactions.

DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2025, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name	Capacity/Nature of interest	Number of Shares held (note 1)	Percentage of shareholding (note 2)
Century Great Investments Limited	Beneficial interest (note 3)	71,425,500 (L)	17.40%
Accumulate More Profits Limited	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Easyknit International Holdings Limited	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Gold Winner Investment Limited	Beneficial interest (note 4)	37,670,000 (L)	9.18%
Mr. Christopher Geoffrey Douglas HOOPER	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Mr. Ivan Geoffrey Douglas HOOPER	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Magical Profits Limited	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Markson International Holding Limited	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Winterbotham Holdings Limited	Interest in a controlled corporation (note 4)	37,670,000 (L)	9.18%
Ms. WONG Kwai Shan	Beneficial interest	32,280,000 (L)	7.90%
Gainever Corporation Limited	Beneficial interest (note 5)	31,405,000 (L)	7.65%

DIRECTORS' REPORT (CONTINUED)

Name	Capacity/Nature of interest	Number of Shares held (note 1)	Percentage of shareholding (note 2)
Best Ability Limited	Interest in a controlled corporation (note 5)	31,405,000 (L)	7.65%
Eminence Enterprise Limited	Interest in a controlled corporation (note 5)	31,405,000 (L)	7.65%
Double Lions Limited	Beneficial interest	23,080,000 (L)	5.62%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation, interest held jointly with other persons (note 6) and interest of spouse (note 7)	23,080,000 (L)	5.62%
Mr. David Frances BULBECK	Interest of spouse (note 7)	23,080,000 (L)	5.62%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons (note 6) and interest of spouse (note 8)	23,080,000 (L)	5.62%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons (note 6) and interest of spouse (note 8)	23,080,000 (L)	5.62%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation, interest held jointly with other persons (note 6)	23,080,000 (L)	5.62%
Mr. John Warren MCLENNAN	Interest in a controlled corporation, interest held jointly with other persons (note 6) and interest of spouse (note 9)	23,080,000 (L)	5.62%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 9)	23,080,000 (L)	5.62%

DIRECTORS' REPORT (CONTINUED)

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) The calculation is based on the total number of 410,539,500 Shares in issue as at 30 June 2025.
- (3) Century Great Investments Limited is 100% owned by Ms. WONG Wing Man. Ms. WONG Wing Man was appointed as an executive Director of the Company with effect from 15 March 2023.
- (4) 37,670,000 shares are held by Gold Winner Investment Limited. Gold Winner Investment Limited is owned 100% by Easyknit International Holdings Limited. Easyknit International Holdings Limited is owned 39.43% by Magical Profits Limited. Magical Profits Limited is 100% owned by Accumulate More Profits Limited. Accumulate More Profits Limited is 100% owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust. The Winterbotham Trust Company Limited is 40% and 60% owned by Markson International Holding Limited and Winterbotham Holdings Limited respectively. Markson International Holding Limited is 99.99% owned by Mr. Ivan Geoffrey Douglas HOOPER. Winterbotham Holdings Limited is 99.99% owned by Mr. Christopher Geoffrey Douglas HOOPER.
- (5) Gainever Corporation Limited is 100% owned by Best Ability Limited which is wholly-owned by Eminence Enterprise Limited (a company listed on the Main Board of the Stock Exchange (stock code: 616)).
- (6) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH. Each member of Double Lions Limited executed the deed of acting in concert dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (7) Mr. David Frances BULBECK is the spouse of Ms. Tracy-Ann FITZPATRICK and is deemed to be interested in the Shares held by Ms. Tracy-Ann FITZPATRICK by virtue of the SFO.
- (8) Ms. Alison Siobhan BAILEY and Mr. James Seymour Dickson LEACH are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.
- (9) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the Shares held by Mr. John Warren MCLENNAN by virtue of the SFO.

Save as disclosed above, as at 30 June 2025 and up to the date of this report, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

DIRECTORS' REPORT (CONTINUED)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and cost of sales attributable to the major customers and suppliers respectively is as follows:

	Percentage of the Group's total	
	Sales	Cost of sales
The largest customer	26.94%	
Five largest customers in aggregate	36.76%	
The largest supplier		14.77%
Five largest suppliers in aggregate		35.29%

At no time during the Reporting Period have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 38 to 52 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, there was sufficient public float of at least 25% of the Company's issued Shares as required under the GEM Listing Rules.

CHARITABLE DONATIONS

During the Reporting Period, the Group did not make any charitable donation (Corresponding Period: Nil).

DIRECTORS' REPORT (CONTINUED)

PRE-EMPTIVE RIGHTS

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

CLOSURE OF THE REGISTER OF MEMBERS

The period for which the register of members of the Company will be closed for the purpose of ascertaining the entitlement of the shareholders of the Company to attend and vote at the AGM will be announced at least 10 business days before such closure in accordance with rule 17.78(1) of the GEM Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the eighteen months ended 30 June 2025 have been audited by Jon Gepsom, who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Jon Gepsom as the auditor of the Company is to be proposed at the Annual General Meeting.

On behalf of the Board

Wong Wing Man

Chairperson and Executive Director

Hong Kong, 25 September 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establishing and ensuring high standards of corporate governance and adopt sound corporate governance practices on the basis of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the GEM Listing Rules. The Board recognizes that good governance is vital for the long-term success and sustainability of our businesses.

This Corporate Governance Report is presented for the eighteen months ended 30 June 2025. The Directors consider that the Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). Having made specific enquiry of all the Directors, each of them confirmed that they had complied with the Required Standard of Dealings throughout the Reporting Period, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

The Board members for the Reporting Period and up to the date of this annual report are:

Executive Directors:

Mr. John Warren MCLENNAN (retired on 28 June 2024)

Ms. Shawlain AHMIN (retired on 28 June 2024)

Ms. WONG Wing Man

Mr. WONG Sui Chi (re-designated on 3 June 2024)

Mr. LAW Sai Kit (appointed on 3 June 2024)

Mr. LAM Chun Hin (appointed on 3 June 2024)

Independent Non-Executive Directors:

Mr. SO Alan Wai Shing

Mr. LEE Kwong Ming

Mr. LEE Fung Lun (retired on 28 June 2024)

Mr. CHAN Kin Sun

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board had complied with the Rule 5.05 of the GEM Listing Rules to have at least three independent non-executive Directors (who collectively represent at least one-third of the board) and at least one independent non-executive Director has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Director has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that all independent non-executive Directors to be independent to the Company and meet the requirements set out in Rules 5.09 of the GEM Listing Rules at the date of this report.

Save as disclosed in the section headed “Biographies of Directors and Senior Management” on pages 19 to 20 of this annual report, the members of the Board have no financial, business, family or other material/ relevant relationship with each other.

Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of the success of the Group in the interests of the Shareholders by directing and supervising its affairs and by formulating strategic directions and monitoring the financial and management performance of the Group.

Some of the key responsibilities of the Board include:

- setting the Group’s values, vision and mission;
- establishing and maintaining the strategic direction and objectives of the Group;
- monitoring the performance of management;
- ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed; and
- review and approve the quarterly/interim/final financial results of the Company.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group’s businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The Company has an experienced and committed management team. All of the executive Directors and our senior management have been serving the Group for an average of 1.5 years. The executive Directors are also interested in our business outcomes and thus their own interests align with that of the Company. The committed and continued service of our management team allows the Group to execute our business strategy with long term vision and objective without interruption.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings and General Meeting

18 board meetings were held during the Reporting Period, in which four meetings were held to approve the annual results for the year ended 31 December 2023, and the interim and second interim results of 2024. The other board meetings were held to approve, among others (i) change of Directors, company secretary and auditor, (ii) approval of discloseable transactions, (iii) three placings and rights issue of new shares under the Company's general mandate, and (iv) grant of share option.

The annual general meeting of the Company for the year ended 31 December 2023 was held on 28 June 2024 (the "**2024 AGM**"). An extraordinary general meeting of the Company was held on 8 January 2024 to approve the proposed refreshment of general mandate (the "**2024 EGM**").

The attendance of each of Directors at board meetings during the Reporting Period, the 2024 AGM and the 2024 EGM is set out in the table below:

Name of Director	Attendance/ Number of board meetings held	Attendance at 2024 AGM	Attendance at 2024 EGM
Executive Directors			
Ms. WONG Wing Man	18/18	1/1	1/1
Mr. WONG Sui Chi (re-designated on 3 June 2024)	17/18	1/1	1/1
Mr. LAW Sai Kit (appointed on 3 June 2024)	10/10	1/1	0/0
Mr. LAM Chun Hin (appointed on 3 June 2024)	10/10	1/1	0/0
Mr. MCLENNAN John Warren (retired on 28 June 2024)	9/9	1/1	1/1
Ms. AHMIN Shawlain (retired on 28 June 2024)	9/9	1/1	1/1
Independent non-executive Directors			
Mr. SO Alan Wai Shing	14/16	1/1	1/1
Mr. LEE Kwong Ming	15/16	1/1	1/1
Mr. LEE Fung Lun (retired on 28 June 2024)	7/9	1/1	1/1
Mr. CHAN Kin Sun	15/16	1/1	1/1

CORPORATE GOVERNANCE REPORT (CONTINUED)

Continuous Professional Development of the Directors

Pursuant to the code provision C.1.4 under Appendix C1 to the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant materials prepared or published by its legal adviser, professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. All Directors have provided records of the training they received to the Company. The trainings included attending experts' briefings, seminars, and/or conferences, and reading materials relevant to the business, corporate governance and directors' duties.

The record of continuous professional training relating to director's duties and regulatory and business development that has been received by the Directors for the eighteen months ended 30 June 2025 is summarised as follows:

	Type of training (Note)
(i) Executive Directors	
WONG Wing Man	B
WONG Sui Chi	A
LAW Sai Kit	B
LAM Chun Hin	B
(ii) Independent Non-executive Directors	
SO Alan Wai Shing	A
LEE Kwong Ming	A
CHAN Kin Sun	B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops.

B: Reading/Studying relevant news alerts, newspapers, journals, magazines and relevant publications.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. For example, when a Director is newly appointed, he/she will be provided an induction to ensure he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and the relevant regulatory requirements.

NOMINATION POLICY

The Nomination Policy which was adopted by the Board sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

- Board Diversity Policy;
- accomplishment and experience appropriate to the requirements of the Company's business;
- commitment in respect of sufficient time, interest and attention to the Company's business;
- compliance with the criteria of independence under the GEM Listing Rules for the appointment of independent non-executive Director; and
- any other relevant factors as may be considered by the Nomination Committee from time to time.

If the Board recognises the need to appoint a new director subject to the provisions in the Company's Articles of Association, the Nomination Committee, with or without assistance from external agencies, shall identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the Nomination Committee and the Board has the final authority on determining suitable director candidate for directorship.

Candidates for appointment as Directors may also be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The number of independent non-executive Directors should be not less than three and one-third of the Board.
2. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.
3. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

CORPORATE GOVERNANCE REPORT (CONTINUED)

4. There shall be at least one male and one female Board member each, subject to any more stringent requirements under the Listing Rules/any applicable laws and regulations, if any.

The Board has reviewed the Board Diversity Policy and its effectiveness for the Reporting Period. The Board has achieved the measurable objectives under the Board Diversity Policy for the Reporting Period.

GENDER DIVERSITY

Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. As at the date of this report the Board comprises one female Director and six male Directors. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole. The Company has complied with this new requirement during the eighteen months ended 30 June 2025.

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group. As at 30 June 2025, approximately 36% of the Group's employees (including senior management) are female and 64% are male. For further details on the employment and labour practices of the Group including gender diversity, please refer to the Environmental, Social and Governance Report on pages 53 to 78 of this report.

The Board regularly assesses the Group's diversity profile of all levels of employees and considers the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. The Board considers that the gender ratio of the workforce of the Group, including the senior management, is appropriate for the operations of the Group and will strive to maintain the gender diversity of the workforce.

CHAIRMAN

The chairman of the Board was Ms. WONG. During the Reporting Period, after the retirement of Mr. John Warren McLennan on 28 June 2024, the Company did not have any officer with chief executive title. Taking into account Ms. WONG's substantial experience and leadership position in the management of the Company, the Board considers that Ms. WONG acting as the chairman of the Board enables effective management of the Company and is in the interest of the Group and the Shareholders as a whole. In addition, the Board currently comprises four executive Directors and three independent non-executive Directors. The Board will remain appropriately structured with balance of power to provide sufficient checks and supervision to protect the interests of the Company and the Shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board.

The Audit Committee comprises Mr. SO Alan Wai Shing (chairman), Mr. LEE Kwong Ming and Mr. CHAN Kin Sun, all being independent non-executive Directors.

The Audit Committee held four meetings during the Reporting Period for the purposes of, among other things, that reviewed the financial results for the year ended 31 December 2023 and the interim and second interim financial results for 2024 before submission to the Board. The Audit Committee has also reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the financial results and the consolidated financial statements of the Group for the Reporting Period and recommended improvements.

Audit Committee Members	Attendance/ Number of meetings
SO Alan Wai Shing (Chairman)	4/4
LEE Kwong Ming	4/4
LEE Fung Lun (retired on 28 June 2024)	1/2
CHAN Kin Sun (appointed with effect from 28 June 2024)	2/2

The Audit Committee has also reviewed the consolidated financial statements of the Group for the eighteen months ended 30 June 2025 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management. The Remuneration Committee also review and approve matters relating to share schemes under Chapter 23 of GEM Listing Rules of the Company on an annual basis.

During the Reporting Period, the Remuneration Committee reviewed the policy, structure and remuneration of the Directors, and considered and recommended to the Board on the letters of appointment and remuneration packages of Mr. Law Sai Kit, Mr. Lam Chun Hin and Mr. Wong Sui Chi, executive Directors.

The Remuneration Committee comprises Ms. Wong Wing Man, being an executive Director, and independent non-executive Directors namely Mr. SO Alan Wai Shing, Mr. LEE Kwong Ming and Mr. Chan Kin Sun. Mr. CHAN Kin Sun is the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings during the Reporting Period for the purposes of, among other things, considering and approving the remuneration packages of the Directors. The details of attendance are set out below:

Remuneration Committee Members	Attendance/ Number of meetings
Mr. CHAN Kin Sun (Chairman) (appointed with effect from 28 June 2024)	0/0
Mr. SO Alan Wai Shing	2/2
Ms. WONG Wing Man	2/2
Mr. LEE Kwong Ming	2/2

Remuneration Policy

The Remuneration Policy aims to set out the approach to guide the Remuneration Committee in relation to the setting up the remuneration package of the executive Directors and the senior Management.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with paragraph A.5.2 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary duties of the Nomination Committee include reviewing and assessing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer of the Company.

During the Reporting Period, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors, considered and recommended to the Board on the redesignation of Mr. WONG Sui Chi as executive Director and the appointment of Mr. LAW Sai Kit and Mr. LAM Chun Hin as executive Directors.

The Nomination Committee comprises Ms. WONG Wing Man, Mr. SO Alan Wai Shing, Mr. LEE Kwong Ming and Mr. CHAN Kin Sun (appointed with effect from 28 June 2024). Mr. LEE Kwong Ming is the chairman of the Nomination Committee.

Pursuant to the terms of reference of the Nomination Committee, there is no mandatory requirement of the minimum number of meetings each year. The Committee members may call any meetings at any time when necessary or desirable. The Nomination Committee held two meeting during the Reporting Period for the purposes of nomination of new Director candidates for the consideration by the Board. The details of the attendance are set out below:

Nomination Committee Members	Attendance/ Number of meetings
Mr. LEE Kwong Ming (Chairman)	2/2
Ms. WONG Wing Man	2/2
Mr. SO Alan Wai Shing	2/2
Mr. CHAN Kin Sun (appointed with effect from 28 June 2024)	0/0

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT (CONTINUED)

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

ACCOUNTABILITY AND AUDIT

BAKER TILLY Hong Kong Limited ("**BAKER TILLY**") has resigned as the auditor of the Company with effect from 15 December 2023 after the Company could not reach a consensus with BAKER TILLY on the audit fee in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2023. The Board has resolved to appoint MOORE CPA Limited as the new auditor of the Company to fill the casual vacancy following the resignation of BAKER TILLY and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

MOORE CPA Limited ("**Moore HK**") has resigned as the auditor of the Company with effect from 18 March 2024 after they had encountered delay in obtaining certain requested information from the management for the purpose of its audit in accordance with the Hong Kong Standards of Auditing issued by the Hong Kong Institute of Certified Public Accountants. Having considered the available internal resources and necessary time and effort required to complete the necessary audit procedures, Moore HK anticipates that they will not be able to complete the audit for the year ended 31 December 2023 on time in accordance with the timetable determined by the management of the Company. As a result, Moore HK decided to tender its resignation as the auditors of the Group.

Jon Gepsom CPA Limited has been appointed by the Board as the new auditor of the Company with effect from 18 March 2024 to fill the casual vacancy following the resignation of Moore HK and to hold office until the conclusion of the 2024 AGM. Jon Gepsom CPA Limited was re-appointed as the auditor of the Company at the 2024 AGM.

Directors' and Auditor's responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows and are properly prepared on a going concern basis in accordance with the applicable accounting standards, with disclosures required under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), and the GEM Listing Rules. The responsibility of the Company's auditor, Baker Tilly Hong Kong Limited is set out in the section headed "Independent Auditor's Report" of this annual report.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Auditors' remuneration

For the Reporting Period, the external auditors of the Group provided the following services to the Group:

	For the eighteen months ended 30 June 2025 (HK\$'000)	For the year ended 2023 (HK\$'000)
BAKER TILLY HONG KONG Limited		
— Audit services	—	—
— Non-audit services	—	23
	—	23
MOORE CPA Limited		
— Audit services	—	500
— Non-audit services	—	—
	—	500
Jon Gepsom CPA Limited		
— Audit services	1,000	500
— Non-audit services	—	—
	1,000	500
Total	1,000	1,023

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. The Group has established internal control systems including but not limited to corporate governance, operations management, human resources and finance.

Code Provision C.2.5 of the CG Code stipulates that the Group should have an internal audit function. However, taking into account of the size, nature and complexity of the Company's operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group. Therefore, the Group does not have an internal audit function during the Reporting Period. Instead, a review of internal controls systems of different operations was conducted by BMI Appraisals Limited, an independent external risk advisory firm to ensure the effectiveness and adequacy internal controls system.

The Board also conducted an annual review on the administration and the adequacy of the risk management and internal control systems and considered them adequate and effective during the Reporting Period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

On 3 June 2024, Ms. Lam Wai ("**Ms. Lam**") was appointed as a joint company secretary of the Company.

On 28 June 2024, Mr. Tse Chun Lai resigned as a joint company secretary of the Company.

On 20 November 2024, Ms. Lam resigned as the Company Secretary of the Company. Following the resignation of Ms. Lam, Mr. Wong Sui Chi, an executive Director, has been appointed as the Company Secretary of the Company with effect from 20 November 2024.

The primary duties of the Company Secretary include, but are not limited to, the following: (i) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (ii) to assist the Chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (iii) to timely disseminate announcements and information relating to the Group; and (iv) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. WONG Sui Chi has been in full compliance with the requirements of Rule 5.15 of the GEM Listing Rules during the Reporting Period, with no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting requisitioned by shareholders

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

Procedures for putting forward enquiries to the Board

Shareholders of the Company may put forward enquiries to the Board in writing to 6/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong for the attention of the Company Secretary, or contact the Hong Kong Share Registrar of the Company, Union Registrars Limited for any enquiries about their shareholdings and entitlements to dividend.

Procedures for putting forward proposals at Shareholders' Meetings

There is no provision for shareholders to propose resolutions at a general meeting under the Cayman Islands Companies Law. However, shareholders can follow the above procedure and request to convene extraordinary general meeting.

INVESTOR RELATIONS

The Company has established various communication channels with its shareholders and the public. It includes annual general meeting, publishing annual, interim reports, announcements and circulars on the websites of the GEM and the Company.

There had been no change to the Articles of Association of the Company for the Reporting Period.

To provide timely and effective communication, the Company maintains a corporate website (www.pacificlegendgroup.com) where information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' COMMUNICATION POLICY

The aim of the Shareholders' Communication Policy is to provide Shareholders with information about the Company to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

The Board is responsible for maintaining an ongoing dialogue with Shareholders and in particular for communicating with them and encouraging their participation, through annual general meetings or other general meetings, financial reports and other publications and communications of the Company.

Overall, the Board considers the shareholders' communication policy of the Group to be effective and adequate. The Board will continue to review the implementation and effectiveness of the shareholders' communication policy by shareholders' feedback from the above channel.

DIVIDEND POLICY

The Company has established a dividend policy (the “**Dividend Policy**”) which was adopted by the Board to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the shareholders of the Company.

In considering the payment of dividends, there shall be a balance between retaining adequate reserves for the Group's future growth and rewarding the shareholders of the Company.

The Board shall also take into account, among other things, the following factors when considering the declaration and payment of dividends:

- the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;
- the amount of retained profits and distributable reserves of the Company;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board may deem relevant and appropriate.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The declaration and payment of dividends by the Company is subject to any restrictions:

- under the Companies Law of the Cayman Islands, the Company's Memorandum and Articles of Association, the GEM Listing Rules and any other applicable laws and regulations; or
- under any financial covenants imposed by the Group's bankers or contracting parties.

The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and modify the Dividend Policy at any time.

The Board is grateful to Shareholders and other stakeholders for their continued support and welcomes their views as well as any questions they may have about the management and governance of the Group. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the Group Company Secretary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Pacific Legend Group Limited has been listed on the GEM Board of the Stock Exchange of Hong Kong Limited (**“Stock Exchange”**) (Stock Code: 08547). The company mainly operates in Hong Kong with its subsidiaries in the United Arab Emirates (the **“UAE”**). We primarily operate three business lines to suit the needs of both our retail and corporate clients, namely, (1) sale of home furniture and accessories, (2) rental of home furniture and accessories, and (3) project and hospitality services. With our strong commitment to the well-being of stakeholders and the environment, stringent standards are endorsed in the entire product manufacturing value stream in order to deliver enduring value to our major stakeholders. The Group is pleased to present our 7th environmental, social and governance (**“ESG”**) report (the **“Report”**).

REPORTING SCOPE

Pacific Legend Group Limited (the **“Company”**, together with its subsidiaries, collectively as the **“Group”**, **“we”** or **“us”**) is pleased to present its Environmental, Social and Governance (**“ESG”**) Report. The ESG Report aims to provide an overview of our performance in respect of environmental protection, social involvement, engagement with stakeholders and sustainable development. Relevant figures are recorded and collected from our offices and retail shops in Hong Kong and the UAE from 1 January 2024 to 30 June 2025 (the **“Reporting Period”**). We have excluded the environmental and social data of the office in Mainland China in the Report as the Group has closed the office in Mainland China in the Reporting Period. Other than that, there is no change in business segment from previous financial year.

REPORTING GUIDELINES

The ESG Report is prepared in compliance with the applicable disclosure requirements of Appendix C2 — the Environmental, Social and Governance Reporting Guide (the **“Guide”**), under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the **“GEM Listing Rules”**).

The report complies with all provisions of “Mandatory Disclosure” and “Comply or Explain”, as well as the principles of materiality, quantitative, balance and consistency. In preparing the Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant Key Performance Indicators (**“KPIs”**),¹ and there is no change from previous financial year in the way the Report has been prepared. The application of materiality is detailed in the subsection headed “ESG Management — Materiality Assessment”.

¹ How to prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs, https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app2_envirokpis.pdf

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOURCE OF DATA AND RELIABILITY STATEMENT

The information disclosed in the Report is from the Group's internal documents, statistical reports and relevant public materials. The Group undertakes that the Report does not contain any false information, misleading statement or material omission, and takes responsibilities for the contents hereof as to the authenticity, accuracy and completeness.

Consistency

The Report uses consistent methodologies of ESG data over time. Any changes to the methods used or any other relevant factors affecting the methodologies have been disclosed in the Report.

Balance

The Report provides an unbiased picture of our performance. The Report avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the Report reader.

Quantitative

The Report discloses key performance indicators in ways that can be measured so that the effectiveness of ESG policies and management systems can be evaluated and validated.

ACCESS TO THIS ESG REPORT

This ESG Report is written in both English and Chinese, and in case of discrepancy between the two versions, the English version shall prevail.

FEEDBACK AND OPINIONS

We sincerely welcome your feedback on our ESG Report and our sustainability performance, please contact us by any of the following means to share your opinions with us:

Address:

6th Floor, Horizon Plaza
2 Lee Wing Street, Ap Lei Chau, Hong Kong
Phone: (852) 2552 3500
E-mail: info@pacificlegendgroup.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

APPROACH

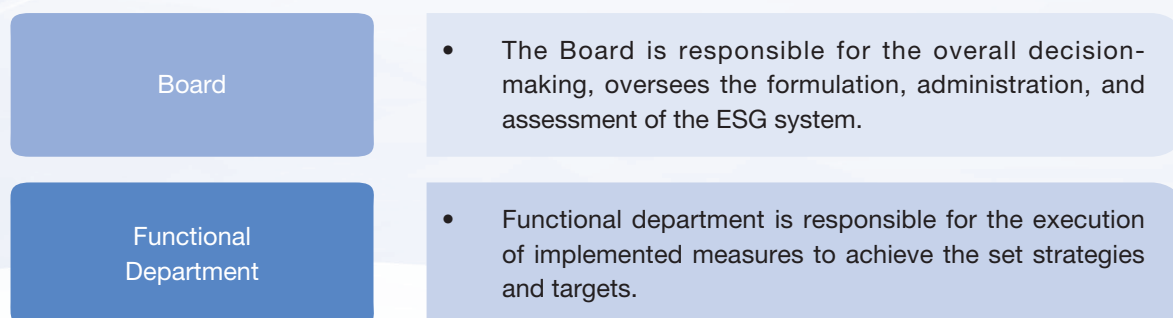
In order to manage ESG-related risks and opportunities, the Board of Directors of the Company (the “**Board**”) takes the initiative to formulate the overall ESG strategy. The management of the Group (the “**Management**”) is authorised by the Board to review and monitor the ESG policies and practices of the Group to ensure compliance with relevant legal and regulatory requirements, monitor and respond to emerging ESG issues, and make recommendations to the Board, where appropriate, to improve the ESG performance of the Group.

The Board is dedicated to improving and developing the ESG strategy which is functioning in the best interests of our stakeholders. Under the section “Stakeholders’ Engagement”, the mechanism and the logic of stakeholders’ involvement in developing our ESG strategy are clearly stated.

We incorporate the concept of sustainability into our ESG strategy and day-to-day operations. We believe that prudent management of environmental and social issues is a key factor in long-term success in this rapidly changing world. To address the global concern about climate change that affects not only the environmental systems but also our daily lives, the Group has considered the climate-related issues and incorporated them into our risk management system to enhance our resilience and adaptive capacity to potential climate change impacts. All potential risks that may have an impact on the Group’s businesses will be covered and evaluated in the annual enterprise risk assessment. With a better understanding of the risks and opportunities regarding environmental protection, the Group endeavors to reduce wastage, preserve the planet for future generations, and respond to the regulatory authorities’ expectations for environmental protection.

We believe that “**Live Beautifully**” is not only our business philosophy but an ultimate goal for mankind. With continuous improvement, we aim to move with our stakeholders towards a more sustainable future and good quality of life for both today and future generations.

GOVERNANCE STRUCTURE



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

STAKEHOLDERS' ENGAGEMENT

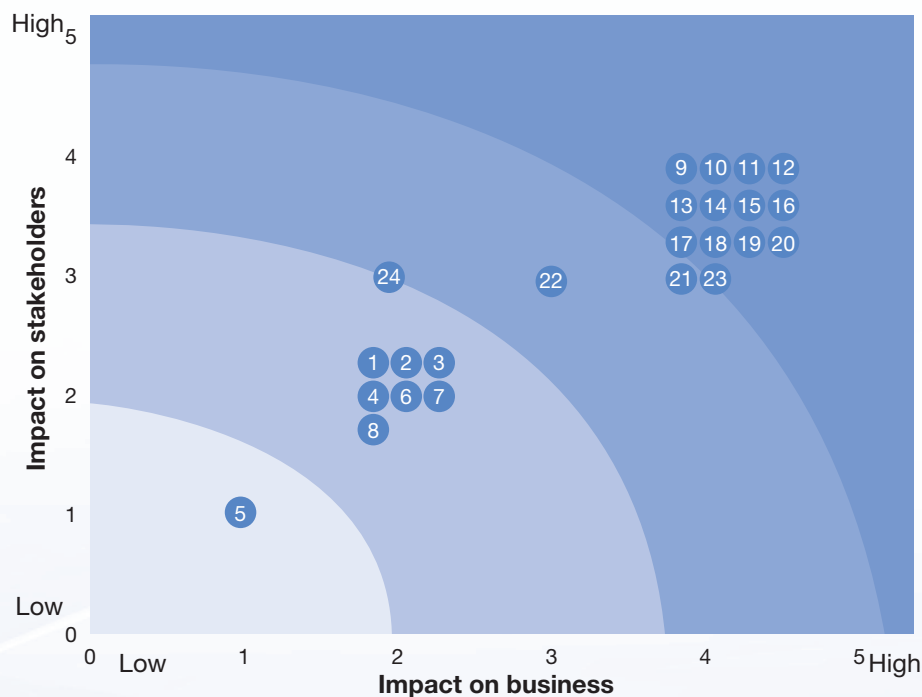
We believe that communication with stakeholders plays an important role in sustaining our business success, so we actively seek to understand and interact with our stakeholders including but not limited to the suppliers, customers, employees, investors, and government. Through continuous communication with our stakeholders, we come to understand the points of concern of each of them through different channels in order to develop mutually beneficial relationships and promote sustainability. We would like to align our ESG strategy with the stakeholders' expectations and concerns, and also balance the interests among the Group and our stakeholders. The topics that stakeholders may be concerned about and the ways we communicate and respond are listed below:

Stakeholders	Probable Points of Concern	Communication and Responses
Hong Kong Exchanges and Clearing Limited ("HKEX")	Compliance with the GEM Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, and tax returns and other information.
Investors	Transparency, corporate governance, business strategies and performances, sustainable profitability, and investment returns.	Shareholders' meetings, issue of financial reports or operation reports for investors, and timely disclosure.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Suppliers	Payment schedule, and stable demand.	Regular meetings, supplier conferences, phone calls and interviews.
Customers	Service quality, reasonable prices, commercial credibility, product safety, and personal data protection.	After-sales services, clients' enquiries handling mechanism, rapid website updates.
Employees	Rights and benefits of employees, compensations, training and development, and working environment.	Conducting union activities, training, interviews with employees, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Participation in community activities, employee voluntary activities, and community welfare subsidies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

MATERIALITY ASSESSMENT

The Group has identified ESG issues that have a potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG Report, internal policies, industry trends, and the Sustainability Accounting Standards Board's Materiality Map². The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The ESG issues have been prioritised as follows:



ESG Issues	ESG issues
1 Emission	13 Development and Training
2 Greenhouse Gas Emission	14 Labour Standards
3 Non-Hazardous Waste	15 Supply Chain Management
4 Energy Consumption	16 Supplier Location
5 Water Consumption	17 Supplier Engagement
6 Packaging Material Consumption	18 Product Responsibility
7 Environment & Natural Resources	19 Product Related Complaints
8 Climate Change	20 Intellectual Property
9 Employment	21 Quality Assurance
10 Employee Turnover	22 Privacy Protection
11 Health and Safety	23 Anti-corruption Awareness
12 Work Injuries	24 Community Investment

² Sustainability Accounting Standards Board's Materiality Map, <https://materiality.sasb.org/>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

A. ENVIRONMENTAL

Environmental Compliance

We comply with all relevant laws and regulations that relate to environmental protection in Hong Kong, and the UAE which have a significant impact on us, including but not limited to, “Federal Law 24 of 1999 for the Protection and Development of the Environment” (the “**Environmental Law**”) in the UAE. During the Reporting Period, no confirmed non-compliance incidents or grievances were noted by us in relation to environmental issues.

Air Emissions

We are principally engaged in the sale of home furniture and accessories, rental of home furniture and accessories, and project and hospitality services. We have a fleet of vehicles for serving our management team members and transportation of goods from warehouses to customers’ designated locations. As such, our major air pollutants are generated from the operation of vehicles. All vehicles are under regular maintenance check to facilitate fuel consumption efficiency, which ensures road safety and keeps air emissions at their minimum. The major air pollutants emitted from vehicles include Nitrogen Oxides, Sulphur Oxides, and Respiratory Suspended Particles.

The air pollutants emission during the Reporting Period was as follows:

Air Pollutants	Unit	For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
Nitrogen Oxides	kg	252.71	237.26
Sulphur Oxides	kg	1.00	0.76
Particulate Matter	kg	21.00	17.86

Due to the number of months recorded in the Reporting Period different from last financial year, the reported figures of all three air pollutants including Nitrogen Oxides, Sulphur Oxides and Particulate Matter have increased compared with last financial year. The Group will put continuous efforts in monitoring the emissions from vehicles, and at the same time comply with the relevant regulations regarding the vehicle usage within the Group for the sake of emission reduction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Greenhouse Gases Emissions

We recognise that greenhouse gas (“GHG”) emissions would lead to climate change which imposes a threat to society and our business operations. As such, we are committed to monitoring and mitigating its effects. During the Reporting Period, the Group’s direct GHG emissions resulted principally from the combustion of fuels by vehicles, while indirect emission sources were fundamentally from the consumption of electricity and air business travel by its employees. During the Reporting Period, the GHG emissions of the Group amounted to 490.46 tonnes (2023: 445.82 tonnes), in which there was an increase of approximately 10%. The GHG emission intensity totalled 70.06 tonnes (2023: 34.29 tonnes) per location and 5.45 tonnes (2023: 2.95 tonnes) per staff, in which there was an increase of 104% per location and a increase of 85% per staff. The increase in intensity per location and per staff were owing to the decrease in locations and staffs compare to 2023.

The GHG emission³ during the Reporting Period was as follows:

For the eighteen months ended 30 June 2025

Scope of GHG Emission	Emission Sources	Emission (in tonnes of CO ₂ e)	Emission (in tonnes of CO ₂ e) per location ⁴	Emission (in tonnes of CO ₂ e) per staff
Scope 1 Direct Emission	Vehicle Fuel Combustion	173.91	24.84	1.93
Scope 2 Indirect Emission ⁵	Purchased Electricity	311.98	44.64	3.47
Scope 3 Other Indirect Emission	Business Air Travel	4.57	0.65	0.05
Total GHG Emission		490.46	70.06	5.45

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Year ended 31 December 2023

Scope of GHG Emission	Emission Sources	Emission (in tonnes of CO ₂ e)	Emission (in tonnes of CO ₂ e) per Location ⁴	Emission (in tonnes of CO ₂ e) per staff
Scope 1				
Direct Emission	Vehicle Fuel Combustion	122.06	9.39	0.81
Scope 2				
Indirect Emission	Purchased Electricity	309.99	23.84	2.05
Scope 3				
Other Indirect Emission	Business Air Travel	13.77	1.06	0.09
Total GHG Emission		445.82	34.29	2.95

³ GHG emissions include the emissions of carbon dioxide (CO₂) and CO₂ equivalent (CO₂e) emissions of other GHG emitted such as methane and nitrous oxide.

⁴ Locations include retail shops and offices, with a total of 7 at the end of the Reporting Period (2023: 13 locations).

⁵ According to the Sustainability Reports published by HK Electric and CLP in 2024, the carbon footprint per kWh of electricity sold was 0.68 kg and 0.38 kg respectively. The carbon dioxide emission factor applied in UAE is 0.3979kg CO₂/kWh for DEWA-supplied electricity.

The Group had achieved the target in the Reporting Period on a 12-month basis. The Group is committed to reducing the impact of its operation on carbon footprints and aims to maintain the GHG emissions intensity no higher than the baseline year (2023) level per location and per staff respectively in next year through adopting the following mitigating measures.

In order to reduce the generation of greenhouse gases, we educate our employees about the concept of energy efficiency. For the details of energy-efficient practices, please refer to the section headed "Energy Efficiency".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Waste Management

We comply with all relevant laws and regulations in relation to waste management that have a significant impact on us. No confirmed material non-compliance incidents or grievances in relation to waste management were noted by us.

As our core business is the sale of home furniture and accessories, there is no significant hazardous waste generated during the ordinary course of business operations, and therefore, no data with regard to hazardous waste was recorded during the Reporting Period.

On the other hand, the major non-hazardous waste produced by us results from our disposed furniture and paper consumption for administrative work. To minimize the generation of disposed furniture, furniture with minor scratches was sold at discount instead of wasting the materials and dumping them into landfills. We also try to approach some non-governmental organizations and donate furniture to them if they need it.

The wastes generated during the Reporting Period was as follows:

Non-hazardous wastes	Unit	For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
Disposed furniture	tonnes	–	4.38
Intensity	tonnes per location ⁴	–	0.34
Intensity	tonnes per staff	–	0.03
Office Paper	tonnes	1.48	1.29
Intensity	tonnes per location ⁴	0.21	0.10
Intensity	tonnes per staff	0.016	0.008

The Group actively advocates the idea of a green and sustainable working environment and adheres to the principle of “four ‘Re’ actions in environmental protection” (reduce, reuse, recycle and replace) in our daily operation, which aims to minimize the generation of wastes and make full use of resources. Donation of furniture to non-governmental organizations serves as an opportunity to enhance resource utilization.

During the Reporting Period, the intensity of paper increases, owing to the decrease in locations and staffs compare to 2023. The Group has outsourced a third-party furniture disposal company to handle the disposal of the furniture, leads to no data on the disposal. The Group has achieved the target in the Reporting Period. The Group will make continuous efforts in maintaining the intensity of disposed furniture and paper consumption no higher than the baseline year (2023) level per location and per every staff respectively in next year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Furthermore, we are committed to reducing the use of copier paper for internal administrative work. The following measures are adopted in our daily operations:

- Double-sided printing is set as the default settings on computers, and single-sided printing has to be manually selected;
- For any paper that has been used for single-sided printing, it should be reused when there is no confidential information on the printed side of the paper; and
- Staff members are encouraged to circulate documents through electronic means such as email or encrypted universal serial bus.

Use of Resources

In order to uphold sustainability in our daily operations, we are committed to upholding a high environmental standard by incorporating relevant requirements under applicable laws and regulations into our daily practices.

We closely monitor the uses of resources, develop measures to reduce electricity consumption, and promote environmental sustainability among employees. This is to ensure that all employees understand the importance of conserving energy and making full use of the available resources in our operations.

Energy Efficiency

Electricity is mainly consumed for the air-conditioning system, lighting system, and electronic office equipment for all of our offices and retail shops in Hong Kong and the UAE. During the Reporting Period, the total amount of fuels consumed by vehicles, which included the consumption of diesel and gasoline, totalled 630,179.93 kWh (2023: 500,387.48 kWh), with an intensity of 90,025.70 (2023: 38,491.34) kWh per location. The units of electricity purchased from electricity providers totalled 645,487.00 kWh (2023: 603,699.00 kWh), with an intensity of 92,212.43 (2023: 46,438.38) kWh per location. The total intensity of fuel and electricity consumption during the Reporting Period was 182,238.13 (2023: 84,929.72) kWh per location, which indicated an increase of approximately 115%.

The increase in energy consumption intensity was attributed to the number of months recorded in the Reporting Period different from last year as mentioned above. The Group had achieved the target base on a 12-month basis. The Group will make continuous efforts in working towards the target of not exceeding 115% of the total fuel and electricity consumption intensity per location compared to the level of baseline year ended 31 December 2023 in next year. The Group will evaluate on the reduction of the total fuel consumption intensity per location.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Fuel and electricity consumption during the Reporting Period was as follows:

		For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
	Unit		
Fuel consumption	kWh	630,179.93	500,387.48
Intensity	kWh/location ⁴	90,025.70	38,491.34
Electricity consumption	kWh	645,487.00	603,699.00
Intensity	kWh/location ⁴	92,212.43	46,438.38
Total intensity	kWh/location ⁴	182,238.13	84,929.72

We also advocate energy efficiency and environmental preservation. We educate our staff members to shut down electronic devices before leaving office. In the case where the job demands overtime work, staff members need to register with the IT team if they need to keep the electronic devices with power-on after office hours. The IT team monitors the on/off status of each of the electronic devices from the backend to ensure that all electronic devices have been switched off properly.

Our staff have developed energy-efficient practices. The last staff member who leaves the office or the retail shop is responsible for ensuring that the air-conditioning system and electronic devices in the office and the retail shop are switched off.

In choosing electronic devices, energy efficiency is one of the evaluation criteria. We prioritise energy-efficient products not only do they consume less energy, but these products also help protect the environment and save money in the long run.

Water Usage

Water resources are mainly used in offices and retail shops in Hong Kong, and the UAE. We do not have any issues in sourcing water, and the existing supply of water meets our daily operational needs. Due to our business nature, the Group's water consumption is minimal. The use of water is mainly for cleaning and sanitation. In order to reduce water wastage, we actively promote water conservation awareness among our employees. For instance, staff are reminded to turn off the faucets tightly after use. As the water charges of some locations are included in the management fees, we are unable to collect and disclose relevant water usage records.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Packaging

Due to the Group's business nature, packaging materials were used during the delivery of furnitures to customers, which included but not limited to stretch films, corrugated boards, polythene roll, corrugated roll, packing tape, bubble roll and wrapping paper. During the Reporting Period, the Group consumed a total of 20.13 (2023: 20.79) tonnes of packaging materials, which indicated a decrease of approximately 3%. The decrease in packaging materials consumption due to its effort in minimizing the use of packaging materials last year. To further minimize the use of packaging materials, the Group will make efforts in terms of encouraging minimal packaging for the delivery of furniture goods and aim to reduce the amount of packaging materials consumed in the coming reporting years.

Environment and Natural Resources

As a furniture retailer, there is no significant consumption of natural resources. However, we are aware of potential resource consumption along the supply chain. To uphold sustainability, we select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section "Supply Chain Management".

Climate Change

The Group has considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risk and transition risk from climate change may pose adverse financial impacts on the Group's businesses.

Acute physical risk can arise from extreme weather conditions such as flooding and tropical storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences. Upon evaluation of the potential acute physical risk that may lead to direct damage to assets and cause disruption to the supply network, our offices and retail stores do not locate in high-risk flood areas, and we maintain a large supplier base so that we can source from alternate suppliers in the event of our suppliers being affected by extreme weather conditions. While the sustained elevated temperature may increase electricity consumption, the Group has adopted energy conservation measures in managing such a risk, which is detailed in the above subsection headed "Environmental – Energy Use Efficiency". As for the potential transition risk, the Group continues to monitor the regulatory environment and the product market to ensure that our products meet customers' and regulatory demands and expectations.

It is expected that potential extreme weather conditions, sustained elevated temperature, and change in environmental-related regulations and customer preference do not have a material impact on the Group's operation. Nevertheless, the Group continues to monitor the climate-related risks and implemented relevant measures to minimize the potential physical and transition risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. SOCIAL

Employment and labour practices

We comply with all relevant laws and regulations in relation to employment in Hong Kong and the UAE which have a significant impact on us, including but not limited to, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) in Hong Kong and the "Federal Law No. 8 of 1980 (as amended by Federal Laws No. 24 of 1981, No. 15 of 1985, No. 12 of 1986 and No. 8 of 2007 and Ministerial Decree 764, 765 and 766 of 2015) (the **"UAE Labour Law"**) in the UAE. As at 30 June 2025, the Group had approximately 90 employees (2023: 151).

The Group is committed to building a diversified and inclusive working environment to ensure that no employees will be discriminated against or deprived of opportunities due to gender, ethnic background, religious belief, colour, sexual orientation, age, marital status or family status in respect of recruitment and promotion. The Group has specially formulated the rules on the equal opportunities of employment and anti-discrimination and harassment procedures to protect the rights of all employees, so that the employees' talents can be reflected on, assessed and rewarded fairly.

The Group strictly opposes and prohibits any form of child and forced labour. To avoid forced and child labour, the Human Resources Department performs detailed interview screening procedures on each candidate. A thorough background check is conducted to verify the authenticity of personal data stated on the application forms by examining the applicants' original identity card and making detailed inquiries to ensure that no child labour can be employed.

If any child labour is discovered, the Group would immediately terminate the contract and investigate the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We shall take disciplinary actions against any employee who are accountable for the causes of the incident. During the Reporting Period, the Group did not have any cases of child labour or forced labour.

We have set up human resources policies and procedures in attracting and retaining talents, as well as nurturing an amiable working environment for our staff. We reward and promote individuals based on their performance and development potential. As a non-discriminating employer, we promise to provide equal opportunities for all applicants and employees without consideration of their race, religion, skin colour, nationality, marital status, age, sex, disability, political preference or philosophical belief.

In order to attract and retain high-quality staff and to enable smooth operations, we offer various in-house training courses and competitive remuneration packages to our employees with reference to market conditions and individual employees' qualifications and experience. Details of employees' compensation packages and other welfare are stipulated in our staff manual, which is reviewed on a regular basis. The standard working hour of employees are 8 hours per day and 40 hours per week on average with 2 days off. In order to enhance team cohesion and create a harmonious working atmosphere, the Group organizes various group activities on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

	For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
Total workforce	90	151
Breakdowns by gender		
Female	32	68
Male	58	83
Breakdown by age		
<30	12	35
31–40	27	45
41–50	25	46
>50	26	25
Breakdown by employment type		
Full time	87	149
Part time	3	2
Breakdown by geographical location		
Hong Kong	42	98
The PRC	0	3
The UAE	48	50

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

	For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
Overall turnover	96%	19%
Turnover rate by gender		
Female	72%	23%
Male	138%	14%
Turnover rate by age		
<30	133%	23%
31–40	89%	31%
41–50	108%	7%
>50	73%	16%
Turnover rate by geographical location		
Hong Kong	181%	16%
The PRC	–	133%
The UAE	21%	18%

Health and Safety

We comply with all relevant laws and regulations in relation to occupational health and safety that have a significant impact on us, including but not limited to, Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) in Hong Kong and the Occupational Health and Safety Policies as set by the Ministry of Human Resources and Emiratization in the UAE.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group has contingency measures in place, which outlines the work arrangements in times of crisis such as typhoons, rainstorms, and serious communicable diseases in the Staff Handbook.

The Group has also adopted measures to ensure all practicable preventive and protective measures are in place to minimize occupational risk, including but not limited to employees' and visitors' health declaration, work from home arrangement, and provision of masks and sanitizers.

During the Reporting Period, there were no reported cases of work injuries case that resulted in lost days of work. Also, there was no work-related fatalities occurred in each of the past three years including the Reporting Period. For the sake of occupational safety measures and the safety of our employees, the Group will make continuous contribution in the aspect of occupational and health education for enhancing employees' awareness of protection and safety, and continue to work on its existing safety policies at the same time.

Development and Training

Training and development are crucial to the personal growth of our staff members and the overall development of the Group. We focus on communicating with employees and listening to their feedback. Through establishing various internal communication channels, including formal performance appraisals and regular meetings between the management and employees, we could better understand the needs of our employees. In response to their needs and career aspirations, we provide support to facilitate the career development of our staff to equip them with the skills that help them pursue their career goals.

In practice, we encourage our staff members to upgrade their skills and knowledge through various forms of training or further education. In this respect, we subsidy our staff with tuition fees for them to pursue external job-related courses.

Staff is given opportunities to acquire new skills and take up different tasks and responsibilities to build up the necessary experience and skill-sets for future promotion and development purposes. Cross-function training and job rotation are available for staff that have the potential and passion for exploring new challenges.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the details of employees who received training were as follows:

	For the eighteen months ended 30 June 2025 Total	Year ended 31 December 2023 Total
Percentage of employee trained by gender		
Female	63%	62%
Male	37%	38%
Percentage of employee trained by employee category		
Management	11%	0%
Mid-level employee	21%	3%
Junior employee	68%	97%
Average training hours completed per employee by gender		
Female	1.19	3.82
Male	0.91	1.93
Average training hours completed per employee by employee category		
Management	0.60	0
Mid-level employee	1.00	1.67
Junior employee	1.07	3.79

Notably, our employee's health and safety are our priority. The Group has measures to ensure that the newly joined employees follow the rules relating to occupational safety. To encourage ongoing training and development for our employee, we would send some useful material to our staff for their self-learning. The Group aims to organize more trainings to employee for further development.

Labour Standards

We comply with all relevant laws and regulations that have a significant impact on us relating to forced and child labour, including but not limited to, the Hong Kong Employment Ordinance, "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" and the UAE Labour Law.

To avoid forced and child labour, Human Resources and Administration Department performs detailed interview screening procedures on each candidate. A thorough background check is conducted to verify personal data stated on the application forms by examining the applicants' original identity cards and making detailed inquiries to ensure that we do not employ child labour.

If the management discovered any child labour, we would immediately terminate the contract and investigate the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We are serious about child labour and shall take disciplinary actions against any staff members who are accountable for the causes of the incident.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Supply Chain Management

The Group understands that supply chain management has an inseparable relationship with its sustainable development, and is therefore committed to establishing a long-term and harmonious cooperation relationship with its suppliers. We expect our suppliers to uphold the principles of integrity and pragmatism, and provide products and services in strict compliance with the requirements of applicable laws and regulations concerning both environmental and social aspects. The Group has adopted green procurement to prioritize suppliers which use wood materials containing recovered or recycled wood or source wood materials originating from sustainably managed forests that are certified by internationally recognized standards.

The Group also requires full compliance of suppliers with local laws and regulations.

In order to standardize the procurement procedures and strengthen the monitoring and management of suppliers, the Group has established the Supplier Management Standard Operating Procedure, which includes key measures such as assessments done by multiple teams prior to accepting a supplier as an approved supplier, and also on-going assessments and regular inspections of our approved suppliers.

As mentioned, we select suppliers that are also environmental and socially conscious. In order to understand the daily operations of the suppliers, our team visits their factories regularly, and conduct suppliers' evaluation. During the course of suppliers' evaluation, our quality control team, buying and merchandising team, and design team evaluate the performance of the suppliers from different perspectives. Particularly, the quality control team evaluates the facilities of the suppliers as to whether their equipment and operation method can fulfill the generally acceptable environmental standard.

During the Reporting Period, we had a total of 85 suppliers for the provision of furniture supplying materials, in which the key suppliers include 37 from Mainland China, 24 from Hong Kong, 18 from the UAE, 2 from United Kingdom (UK), 2 from India, 1 from Indonesia and 1 from Malaysia.

Customer Protection

We comply with all relevant laws and regulations that have a significant impact on us relating to customers' protection, including but not limited to, the "Federal Law No. 24 of 2006 regarding Consumer Protection and the executive regulation as set out in "Cabinet Resolution No. 10 of 2007" (the "**Consumer Protection Laws**") in the UAE, the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Advertising and Labelling

We comply with all relevant laws and regulations that have a significant impact on us relating to the message of our products, including but not limited to, Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). We pay attention to our trade description which includes the quantity, the method of manufacture, processing and/or reconditioning, composition, fitness for purpose and place of origin, etc. During the process of our product inspection checking, we particularly check the carton labels to make sure that the label is accurate and not misleading.

Complaint Handling

We treasure opinions and feedback from our customers on the quality and services we provide. Therefore, we have established “Standard Operation Procedures on Complaint Handling” to ensure that all customers’ concerns regarding our products or services are handled and resolved promptly and efficiently. Relevant investigation is taken and improvement measure are implemented to improve our product and service quality as well as customer experience.

During the Reporting Period, the Group received 115 complaints and all have been resolved after the Group has taken the follow-up actions. A total of 0 products sold or shipped were subject to recalls for safety and health reasons.

Product and Service Responsibility

We have established “Standard Operation Procedures on Quality Control Inspection” to maintain product quality in order to satisfy the expectation of our customers. Suppliers are required to fill in the “Inspection Request Form” to facilitate the inspection check afterwards. Our quality control team conducts pre-shipment inspection to ensure an acceptable product quality level. Inspection is carried out according to MIL-STD-105 standard with level II adopted as our inspection level. We adopt a rigorous quality acceptance standard to avoid receiving defective goods which may be dangerous to consumers or result in a hazardous or unsafe condition to the environment. We insist on a various checking criteria ranging from product safety, product appearance, and product basic function to shipping marks.

We also have a traceability record system in place, all our products are labelled with codes during our production process, which facilitates our easy retrieval of production data with our traceability system. If there are quality issues with our products, our traceability record system enables us to promptly ascertain the source of the defect throughout the production process, identify the defective lot of products and take appropriate remedial measures to rectify the issues and to prevent future recurrence.

To ensure product quality in the long run, damaged goods reports are prepared to record any cases of damaged goods and return items. Monthly meeting is held by merchandising and sales team to review those cases, and then the team follows up with suppliers with the defect rates above industry’s average level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Data Protection and Privacy

We are committed to protecting data privacy. We act in accordance with applicable data privacy laws that have a significant impact on us when collecting and using personal information provided to us, including but not limited to, Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Our privacy policy is uploaded to our website which sets out the policies and practices in the collection, use, sharing and protection of customers' personal information. Any updates or changes in the policy will be uploaded on the website promptly.

We take reasonable precautions to ensure that personal information of our customers remains confidential and we have reasonable security procedures regarding the storage and disclosure of personal information of our customers.

We have adequate measures to protect customers' personal information from accidental loss or destruction. We also require our service providers to use personal information of our customers on a confidential basis during the process of providing the specified services to us, and to comply with this privacy policy and applicable legislation.

Intellectual Property Rights

We have registered our trademarks which are important to our business. We regularly monitor the control measures to ascertain whether our trademarks are being infringed. We are committed to protecting intellectual property rights which we handle with great care during our daily operations.

Anti-corruption

We comply with all relevant laws and regulations with regard to anti-corruption in Hong Kong, the PRC and the UAE which have significant impacts on us, including but not limited to, the Prevention of Bribery Ordinance in Hong Kong (Chapter 201 of the Laws of Hong Kong) and the Articles 234 -239 of Federal Law No. 3/1987 ("**Penal Code**") in the UAE.

The Group has also implemented whistleblowing policy to encourage employees and related parties who deal with the Group on any suspected improprieties. The Group has no tolerance to any corruption and set whistleblowing policy to report any corruption. Whistleblowers can report by e-mail to the company secretary with regards to any suspected impropriety with full reasons and supporting evidences. All information received from the whistleblower will be kept confidential except under the request of legal or regulatory requirement to authorities. After received the report(s) made by the whistleblower(s), the company secretary will carry out a preliminary review of the report and may carry out an investigation such as interviews and obtain legal advice, employees who breach the anti-corruption regulations will face disciplinary actions, such as termination of employment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We regard honesty, integrity, and fair play as our core values that must be upheld by all Directors and staff at all times. Our “Code of Conduct” (the “**Code**”) lays out the basic standard of conduct expected of all Directors and staff, and the policy on acceptance of advantage and handling of conflict of interests when dealing with our business. Moreover, we prohibit all forms of bribery and corruption. All Directors and staff are prohibited from soliciting, accepting or offering any bribe in conducting the business affairs, whether in Hong Kong or elsewhere. Since the Group’s business is not highly exposed to the risk of corruption, no training of such area was held during the Reporting Period. Yet, the Group is capable of providing and subsidising training of anti-corruption when necessary.

Any Director or staff member in breach of the Code will be subject to disciplinary action, including termination of appointment. Any enquiries about the Code or reports of possible breaches of the Code should be made to the Head of Human Resources. In case of suspected corruption or other criminal offences, a full investigation will then be conducted, disciplinary action will be applied to the employees involved upon confirmation of the occurrence, and may extend to further legal action depending upon the nature and particular circumstances of each report.

The above guidelines have been communicated to all staff, and the company culture composing of openness, accountability and integrity among all Directors and employees has been developed. During the Reporting Period, no concluded legal cases regarding corrupt practices were brought against the Group or our employees and were not aware of any bribery, extortion, fraud, money laundering, or other violations.

Community Investment

The Group had not organized any community and charity activities during the Reporting Period. Under the latest regulation that the COVID-19 situation have improved and most restrictions are lifted, the Group aims to explore more social welfare actions in the coming reporting years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gases Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable ⁶
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Energy Efficiency
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

⁶ Hazardous waste produced is minimal in our businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources, Energy Efficiency, Water Usage
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	(Not applicable) ⁷
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Usage
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
A4 Climate Change		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and labour practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and labour practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and labour practices
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B6 Product and Service Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Customer Protection, Advertising and Labelling, Product and Service Responsibility, Data Protection and Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Complaint Handling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Protection and Privacy
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT



Jon Gepsom CPA Limited

1003-1005, 10/F., Siu On Centre

188 Lockhart Road, Wan Chai, Hong Kong

TO THE SHAREHOLDERS OF PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pacific Legend Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 85 to 199, which comprise the consolidated statement of financial position as at 30 June 2025, 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 eighteen months ended 30 June 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2025, and of its consolidated financial performance and its consolidated cash flows for the eighteen months ended 30 June 2025 in accordance with HKFRS Accounting Standards as 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 OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

The key audit matter

How the matter was addressed in our audit

Revenue recognition on project contracts

Refer to notes 2(v)(i)(b), 3(b)(i) and 4 to the consolidated financial statements.

During the eighteen months ended 30 June 2025, revenue from project contracts amounted to approximately HK\$180,702,000, which was recognised over time using the output method with reference to the direct measurement of the value of the project contract work performed, provided that the value of project contract work can be measured reliably.

In determining the value of the project contract work performed, significant management's judgements and estimates are being exercised for determining the percentage of completion of the respective project contract work, with reference to the completion of specific detailed components as set out in the project contract.

We have identified the revenue recognition on project contracts as a key audit matter because the amount of the project revenue is significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates made by the management of the Group.

Our audit procedures in this area included:

- obtained an understanding of the management's assessment process of revenue recognition;
- compared, on a sample basis, revenue transactions recorded during the period with the underlying project contracts, variation orders (if any), delivery reports, invoices and bank-in slips and other underlying documents, assessed the business substance of the underlying transactions and examined whether the related revenue has been recognised in accordance with the Group's revenue recognition policies;
- obtained confirmations, on a sample basis, from major customers of the Group to ascertain the completion progress of the projects and the revenue to be recognised; and
- checked the calculation of stage of completion, on a sample basis, and performed comparisons between the percentage of completion and the percentage of progress billing on project contracts to identify and investigate any significant differences.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

The key audit matter

How the matter was addressed in our audit

Provision assessment of inventories

Refer to notes 2(m), 3(b)(iii) and 20 to the consolidated financial statements.

At the end of the reporting period, the Group had inventories of approximately HK\$19,411,000, net of allowance for inventories of approximately HK\$5,502,000. Provision for inventories of approximately HK\$3,939,000 has been recognised during the eighteen months ended 30 June 2025.

Provision for inventories are being made when the net realisable value of the inventories is lower than its carrying amount. As a result of the long-aged inventories deriving from the consequences of the unstable market demand, significant judgements and estimates made by management of the Group are involved in calculating the net realisable value of the inventories with reference to the estimated subsequent selling price, cost of sales and selling expenses.

We have identified the provision assessment of inventories as a key audit matter because the carrying amount of the inventories is significant to the consolidated financial statements as a whole and there is involvement of significant judgements and estimates made by the management of the Group in determining the net realisable value.

Our audit procedures in this area included:

- obtained an understanding on the Group's provision policy, the basis on how the management of the Group estimated the net realisable value of inventories and performed retrospective review on the allowance for inventories as estimated by management of the Group;
- evaluated the management's assessment of allowance for inventories with reference to their ageing, the condition of inventories during our observation of physical inventory count and subsequent sales; and
- selected sample of inventories and reviewed the calculation of the net realisable value with reference to their actual or estimated subsequent selling prices, estimated cost of sales and selling expenses subsequent to the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

Jon Gepsom CPA Limited

Certified Public Accountants

Wong Ka Bo, Jimmy

Practising Certificate Number: P07560

1003-1005, 10/F., Siu on Centre

188 Lockhart Road, Wan Chai, Hong Kong

25 September 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

	Notes	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Revenue	4	383,477	250,566
Cost of sales		(224,045)	(123,468)
Gross profit		159,432	127,098
Other income, gains and losses, net	5	16,774	2,707
Selling and distribution expenses		(68,415)	(50,874)
Administrative and other operating expenses		(105,043)	(93,090)
Provision for allowance for expected credit losses		(1,115)	(9,652)
Impairment losses on non-financial assets		(4,000)	(9,182)
Loss from operations		(2,367)	(32,993)
Finance costs	6	(4,012)	(2,850)
Share of results of associates	15	1,650	–
Loss before income tax	7	(4,729)	(35,843)
Income tax expense	8	(513)	(69)
Loss for the period/year		(5,242)	(35,912)
Other comprehensive (expense)/income for the period/year			
Items that may be reclassified subsequently to profit or loss:			
– Release of exchange reserve upon disposal of subsidiaries		(1,787)	–
– Exchange differences on translation of financial statements of foreign operations		(1,781)	1,586
		(3,568)	1,586
Total comprehensive expense for the period/year		(8,810)	(34,326)
(Loss)/profit for the period/year attributable to:			
– Owners of the Company		(5,571)	(33,524)
– Non-controlling interests		329	(2,388)
		(5,242)	(35,912)
Total comprehensive (expense)/income for the period/year attributable to:			
– Owners of the Company		(9,139)	(31,938)
– Non-controlling interests		329	(2,388)
		(8,810)	(34,326)
		HK cents	HK cents
			(Restated)
Loss per share	10		
– Basic and diluted		(2.03)	(18.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Notes	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment	11	2,987	770
Intangible assets	12	–	21
Right-of-use assets	13	2,745	2,995
Investment properties	14	–	4,490
Interests in associates	15	19,680	13,530
Finance lease receivables	17	2,716	737
Financial assets at fair value through profit or loss	18	–	3,000
Non-refundable deposit	19	–	4,000
		28,128	29,543
Current assets			
Inventories	20	19,411	32,328
Contract assets	21(a)	2,606	2,158
Trade and other receivables	22	55,458	85,428
Loan receivables	16	–	2,792
Finance lease receivables	17	4,930	3,250
Financial assets at fair value through profit or loss	18	20,206	–
Cash and cash equivalents	23	4,926	23,303
		107,537	149,259
Assets of disposal subsidiaries classified as held for sale	24	–	1,109
		107,537	150,368
Current liabilities			
Trade and other payables	25	29,659	27,034
Contract liabilities	21(b)	12,447	70,329
Interest-bearing bank and other borrowings	26	18,579	11,645
Lease liabilities	27	4,765	11,818
Tax payable		259	2
		65,709	120,828
Liabilities of disposal subsidiaries classified as held for sale	24	–	5,768
		65,709	126,596
Net current assets		41,828	23,772
Total assets less current liabilities		69,956	53,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2025

		As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities	27	756	6,455
Provisions	28	8,764	8,150
Deferred tax liabilities		–	69
		<u>9,520</u>	<u>14,674</u>
NET ASSETS		<u>60,436</u>	<u>38,641</u>
Capital and reserves			
Share capital	29	41,054	19,008
Reserves	30	<u>15,740</u>	<u>18,087</u>
Equity attributable to owners of the Company		56,794	37,095
Non-controlling interests		<u>3,642</u>	<u>1,546</u>
TOTAL EQUITY		<u>60,436</u>	<u>38,641</u>

Approved and authorised for issue by the board of directors on 25 September 2025 and are signed on its behalf by:

WONG Wing Man
Director

Wong Sui Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

	Equity attributable to owners of the Company						Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 30(i))	Share option reserve HK\$'000 (Note 30(ii))	Exchange reserve HK\$'000 (Note 30(iii))	Other reserve HK\$'000 (Note 30(iv))	Accumulated losses HK\$'000		
Balance at 1 January 2023	13,200	87,982	-	(824)	789	(63,646)	2,481	39,982
Loss for the year	-	-	-	-	-	(33,524)	(2,388)	(35,912)
Other comprehensive income	-	-	-	1,586	-	-	-	1,586
Total comprehensive income/ (expense) for the year	-	-	-	1,586	-	(33,524)	(2,388)	(34,326)
Issue of shares upon placing (Note 29)	5,808	27,637	-	-	-	-	-	33,445
Cost of issue of shares upon placing (Note 29)	-	(671)	-	-	-	-	-	(671)
Disposal of subsidiaries	-	-	-	-	(789)	-	-	(789)
Transfer to non-controlling interests	-	-	-	(1)	-	(452)	453	-
Acquisition of a non-wholly owned subsidiary (Note 37(b))	-	-	-	-	-	-	1,000	1,000
Balance at 31 December 2023 and 1 January 2024	19,008	114,948	-	761	-	(97,622)	1,546	38,641
(Loss)/profit for the period	-	-	-	-	-	(5,571)	329	(5,242)
Other comprehensive expense	-	-	-	(3,568)	-	-	-	(3,568)
Total comprehensive (expense)/income for the period	-	-	-	(3,568)	-	(5,571)	329	(8,810)
Issue of shares upon placing (Note 29)	8,072	6,957	-	-	-	-	-	15,029
Cost of issue of shares upon placing (Note 29)	-	(285)	-	-	-	-	-	(285)
Issue of shares upon rights issue (Note 29)	13,684	-	-	-	-	-	-	13,684
Cost of issue of shares upon the rights issue (Note 29)	-	(104)	-	-	-	-	-	(104)
Issue of shares upon acquisition of a non-wholly owned subsidiary (Note 37(a))	290	189	-	-	-	-	1,767	2,246
Recognition of share-based payment (Note 33)	-	-	35	-	-	-	-	35
Balance at 30 June 2025	<u>41,054</u>	<u>121,705</u>	<u>35</u>	<u>(2,807)</u>	<u>-</u>	<u>(103,193)</u>	<u>3,642</u>	<u>60,436</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Operating activities		
Loss before income tax	(4,729)	(35,843)
Adjustments for:		
— Bank interest income	(79)	(199)
— Fair value (gains)/losses on financial assets at fair value through profit or loss	(12,561)	2,938
— Fair value losses/(gains) on investment properties	2,303	(421)
— Gain on disposal of property, plant and equipment	(169)	(6)
— Gain on disposal of subsidiaries, net	(2,362)	—
— Interest income from finance lease receivables	(1,506)	(1,512)
— Interest income from loan receivables	(159)	(296)
— Amortisation of intangible assets	21	15
— Depreciation of property, plant and equipment	2,531	4,343
— Depreciation of right-of-use assets	5,033	3,398
— Provision for/(reversal of) allowance for expected credit losses on:		
contract assets	—	(840)
trade receivables	187	4,292
other receivables	928	6,200
— Impairment losses on:		
property, plant and equipment	—	1,283
non-refundable deposits	4,000	—
right-of-use assets	—	7,899
— Provision for long-service payments and employee's end-of-service benefits	1,511	1,322
— Share-based payment expenses	35	—
— Provision for reinstatement costs for rented premises	—	240
— Provision for inventories, net	3,939	355
— Finance costs	4,012	2,850
— Share of result of associates	(1,650)	—
Operating cash flows before changes in working capital	1,285	(3,982)
Changes in finance lease receivables	(3,661)	(34)
Changes in inventories	8,985	7,534
Changes in contract assets	(448)	(2,385)
Changes in trade and other receivables	25,610	(36,102)
Changes in trade and other payables	720	8,073
Changes in contract liabilities	(60,361)	37,829
Changes in provisions	(907)	(565)
Net cash (used in)/generated from operating activities	(28,777)	10,368

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

		Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
	Notes		
Investing activities			
Purchase of property, plant and equipment		(4,789)	(4,426)
Interest received		1,744	2,007
Proceeds from disposal of property, plant and equipment		209	6
Repayment/(advance) of loans to an independent third party		2,792	(1,954)
Acquisition of financial assets at fair value through profit or loss		(4,645)	–
Net cash outflows on acquisition of subsidiaries	37(e)	(4,021)	(7,311)
Net cash outflows on acquisition of associates	15	–	(13,530)
Net cash outflows from disposal of subsidiaries	38(d)	1,533	–
Repayment from a non-controlling shareholder		4,395	–
Withdrawals of pledged bank deposits		–	3,000
Net cash used in investing activities		(2,782)	(22,208)
Financing activities			
Bank and other borrowings raised	34	15,279	13,657
Repayment of bank and other borrowings	34	(8,379)	(10,515)
Capital element of lease rentals paid	34	(18,026)	(15,648)
Interest element of lease rentals paid	34	(1,772)	(1,797)
Interest on bank and other borrowings paid	34	(2,240)	(1,053)
Proceeds from issue of shares upon placing	29	15,029	33,445
Cost of issue of shares upon placing	29	(285)	(671)
Proceeds from issue of shares upon rights issue	29	13,684	–
Cost of issue of shares upon rights issue	29	(104)	–
Net cash from in financing activities		13,186	17,418
Net (decrease)/increase in cash and cash equivalents		(18,373)	5,578
Cash and cash equivalents at the beginning of the reporting period		23,303	17,824
Effect of foreign exchange rate changes		(4)	6
Cash and cash equivalents included in assets of disposal subsidiaries classified as held for sale	24	–	(105)
Cash and cash equivalents (excluding those classified as held for sale) at the end of the reporting period	23	4,926	23,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

1. GENERAL INFORMATION

Pacific Legend Group Limited (the “**Company**”) is incorporated as an exempted company with limited liability in the Cayman Islands on 1 September 2017. On 18 July 2018, the Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is 6/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the sale and leasing of home furniture and accessories and the provision of design consultancy services for fitting out interiors with furnishings.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The HKICPA has issued certain new and amendments to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (Continued)

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and financial assets at fair value through profit or loss (“FVTPL”)).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of these consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Change of financial year end date

Pursuant to the resolution of the board of directors of the Company on 15 October 2024, the Company’s financial year end date has been changed from 31 December to 30 June in order to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. Accordingly, the consolidated financial statements of the current period cover an eighteen-month period from 1 January 2024 to 30 June 2025 and the comparative figures cover a twelve-month period from 1 January 2023 to 31 December 2023. The comparative figures are therefore not entirely comparable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Adoption of amendments to HKFRS Accounting Standards

Application of amendments to HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the accounting period beginning on or after 1 January 2024, for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as disclosed below, the application of other amendments to HKFRS Accounting Standards in the current accounting period had no material impact on the Group's consolidated financial positions and financial performance for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

Adoption of Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (collectively referred to as the “HKAS 1 Amendments”)

As a result of the adoption of the HKAS 1 Amendments, the Group changed its accounting policy for the classification of borrowings as below:

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the end of the reporting period do not affect the classification.”

This new policy did not result in a change in the classification of interest-bearing bank and other borrowings of the Group. The Group did not make retrospective adjustments as a result of adopting the HKAS 1 Amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Adoption of amendments to HKFRS Accounting Standards (Continued)

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

The Group has not early applied the following new and amendments to HKFRS Accounting Standards and the Interpretation that have been issued but are not yet effective for the accounting period beginning 1 January 2024:

	Effective for the accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to Hong Kong Interpretation 5 (Revised) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that, except as described below, the application of other amendments to HKFRS Accounting Standards and the Interpretation will not have material impact on these consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Adoption of amendments to HKFRS Accounting Standards (Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective (Continued)

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 — Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of the consolidated financial statements, with a focus on information about consolidated financial performance present in the consolidated statement of profit or loss, which will affect how the Group present and disclose financial performance in the consolidated financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss; (ii) required disclosures for management defined performance measures (which are referred to alternative or non-GAAP performance measures); and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and disclosures of these consolidated financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated as cost less impairment losses (see Note 2(l)(ii)).

(e) Business combination and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Business combination and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKFRS 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised in profit or loss in accordance with HKFRS 9. Other contingent consideration that is not within the scope of HKFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating units (group of cash-generating units) to which the goodwill relates. If the recoverable amount of the cash-generating units (group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of cash-generating units) and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Business combination and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(f) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are recognised/derecognised on the date the Group commits to purchase/sell the investment and are initially stated at fair value while transaction costs are recognised directly in profit or loss.

Changes in the fair value of the financial assets at FVTPL are subsequently recognised in profit or loss if the investments do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Decoration and fittings	Over the shorter of the unexpired term of lease or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%
Furniture for rental	100%

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Investment properties

Investment properties include those properties that are held for long-term rental yields and/or for capital appreciation or for a currently-undetermined use.

Investment properties are initially recognised at cost, including related transaction cost and where applicable borrowing costs.

After initial recognition, investment properties are subsequently carried at fair value, representing open market value determined annually by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recognised within “other income, gains and losses, net” in the consolidated statement of profit or loss and other comprehensive income. Investment properties may be subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) 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.

Interests in associates are 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 the investment 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.

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

The Group's share of associates' post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in associates equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Associates (Continued)

The gain or loss on the disposal of associates that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate; and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in associates becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	20%
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Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Leased assets (Continued)

(i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Leased assets (Continued)

(i) *The Group as a lessee (Continued)*

Depreciation is calculated to write off the right-of-use assets on a straight-line basis over the lease term or where it was likely the Group would obtain ownership of the assets, the life of the assets, as set out in Note 2(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the end of the reporting period.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Credit losses and impairment of assets

(i) Credit losses from financial assets, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, loan receivables and trade and other receivables), finance lease receivables and contract assets as defined in HKFRS 15 (see Note 2(n)). Financial assets measured at FVTPL are not subject to ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of the reporting period; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivable and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For all other financial assets measured at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets, contract assets and lease receivables (Continued)

Significant increase in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial asset's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, finance lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")). A portion of the carrying amount of a corporate asset is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGU if otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-financial assets (Continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business. Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(o) Trade, loan and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All other receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy (see Note 2(l)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting could be immaterial, in which case they are stated at invoice amount.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the accounting policy for borrowing costs set out in Note 2(x).

(s) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The payment for employees' end-of-service benefits due to employees is made in accordance with the United Arab Emirates (the "UAE") Labour Law for their periods of service up to the reporting date. The provision for the employees' end-of-service benefits is calculated based on their current basic remuneration.

Payments to the state-managed retirement benefit schemes for staff in the People's Republic of China (excluding Hong Kong and Macao) (the "PRC") and to the Mandatory Provident Fund Scheme for staff in Hong Kong are defined contribution retirement benefit payments and are recognised as expense when employees have rendered services entitling them to the contribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) Employee benefits (Continued)

(ii) Long-service payment ("LSP") payables on cessation of employment

The Group's net obligation in respect of LSP payable on cessation in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contribution made by the Group.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

(iii) Share-based payments

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible participants as consideration for share options of the Company. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using valuation model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share capital and share premium account) or the option expires (when it is released directly to accumulated losses). Where a share option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the share options is recognised immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and at the time of transaction does not give rise to equal taxable and deductible temporary differences, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Revenue from contracts from customers*

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Revenue and other income (Continued)

(i) Revenue from contracts from customers (Continued)

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(b) Project contracts

When the outcome of a project contract can be reasonably measured, revenue from the project contract is recognised progressively over time using the output method, based on direct measurement of the value of project contract work performed, provided that the value of project contract work performed can be measured reliably. The value of project contract work performed is measured according to the completion of specific detailed components as set out in the project contract. Variations in project contract work are recognised as project contract revenue to the extent that the modification has been approved by the parties to the project contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the project contract cannot be reasonably measured, revenue is recognised only to the extent of project contract costs incurred that are expected to be recovered.

(c) Income from franchising

Franchise income is recognised over time in accordance with the terms of franchise agreements. Income from provision of services to franchisees is recognised at a point in time when services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Revenue and other income (Continued)

(ii) *Revenue from other source and other income*

(a) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(b) *Interest income*

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost, the effective interest rate is applied to the gross amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of expected credit loss allowance) of the asset (see Note 2(l)(i)).

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The translation date is the date on which the Company initially recognised such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Translation of foreign currencies (Continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(a) Critical accounting judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Significant influence over Huizhou Taichen Ecology Agricultural Development Co., Ltd.* (惠州市泰琛生態農業發展有限公司) ("Huizhou Taichen")

As disclosed in note 15, the directors of the Company considered Huizhou Taichen, which the Group indirectly held 50% equity interest through a non-wholly owned subsidiary of the Company, Hong Kong Taichen Ecology Agricultural Development Company Limited ("HK Taichen"), is an associate of the Group since the Group has only significant influence over Huizhou Taichen without control nor joint control over Huizhou Taichen as the sole director of Huizhou Taichen was another shareholder of Huizhou Taichen and the Group only has the power to participate in operating and financial policy-making process in Huizhou Taichen.

* The English name is for identification purpose only

Significant increase in credit risk

ECLs under general approach are measured as an allowance equal to 12 months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(b) Key sources of estimation uncertainty

The followings are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

(i) *Revenue recognition on project contracts*

As explained in policy Note 2(v)(i), revenue from project contracts is recognised over time. The revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the project contracts, as well as the work done to date. Based on the Group's recent experience and the nature of the activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the project contracts can be reasonably measured. Until this point is reached the related contract assets disclosed in Note 21(a) do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

During the eighteen months ended 30 June 2025, revenue from project contracts amounted to approximately HK\$180,702,000 (year ended 31 December 2023: HK\$94,420,000) was recognised.

(ii) *Impairment on property, plant and equipment and right-of-use assets*

In considering the impairment loss or reversal of impairment loss that may be required for certain property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

As at 30 June 2025, the carrying amounts of the property, plant and equipment and right-of-use assets are approximately HK\$2,987,000 (31 December 2023: HK\$770,000) and HK\$2,745,000 (31 December 2023: HK\$2,995,000) respectively. Impairment losses on property, plant and equipment and right-of-use assets of approximately HK\$1,283,000 and HK\$7,899,000 have been recognised during the year ended 31 December 2023. No impairment losses on property, plant and equipment and right-of-use assets have been recognised during the eighteen months ended 30 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

(iii) *Provision assessment of inventories*

The Group performs regular review of the carrying amounts of inventories with reference to ageing analyses of the Group's inventories, projections of expected future saleability of goods based on management experience and judgement. Based on this review, provision for inventories is made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

At 30 June 2025, the carrying amount of inventories was approximately HK\$19,411,000 (31 December 2023: HK\$32,328,000), net of allowance for inventories of approximately HK\$5,502,000 (31 December 2023: HK\$1,612,000). Provision for inventories of approximately HK\$3,939,000 (year ended 31 December 2023: HK\$355,000) has been recognised during the eighteen months ended 30 June 2025.

(iv) *Provisions for LSP and employees' end-of-service benefits*

As explained in Notes 28(a) and 28(b), the Group makes provisions for LSP and employees' end-of-service benefits in accordance with the requirements of the Hong Kong Employment Ordinance and labour laws of the UAE respectively. The Group has based the estimation on its recent employee statistics and adopted certain assumptions in assessing the provisions for LSP and employees' end-of-service benefits. It is possible that the assumptions adopted by the Group in assessing the provisions for LSP and employees' end-of-service benefits may not be indicative of the future situation. Any increase or decrease in the provisions would affect profit or loss in future years.

As at 30 June 2025, the provisions for LSP and employees' end-of-service benefits were approximately HK\$203,000 and HK\$6,038,000 (31 December 2023: HK\$300,000 and HK\$5,327,000) respectively.

(v) *Provisions for reinstatement costs for rented premises*

As explained in Note 28(c), the Group makes provision for reinstatement costs based on the best estimate of the expected costs to be incurred upon expiry of the relevant rental agreements, which are subject to uncertainty and might differ from the actual costs incurred in the future. Any increase or decrease in the provision would affect profit or loss in future years.

As at 30 June 2025, the provision for reinstatement costs for rented premises was approximately HK\$2,523,000 (31 December 2023: HK\$2,523,000).

(vi) *Fair values of investment properties*

Investment properties are stated at fair value based on the valuation performed by external qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation reports, the management has exercised their judgement and is satisfied that the assumptions used in the valuation are reflective of the current market conditions.

As at 21 January 2025, being the completion date of the Disposal (as defined in Note 14), the fair value of the investment properties was approximately HK\$2,187,000 (31 December 2023: HK\$4,490,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

(vii) *Fair value of financial assets at FVTPL*

The Group appointed an independent professional valuer to assess the fair value of financial assets at FVTPL that are not traded in an active market. In determining the fair value, the valuer has utilised a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these consolidated financial statements. The financial assets at FVTPL have been valued using various approaches.

As at 30 June 2025, the financial assets at FVTPL under fair value hierarchy level 3 were approximately HK\$20,000,000 (31 December 2023: HK\$3,000,000).

(viii) *Impairment assessment of financial lease receivables and trade and other receivables*

The directors of the Company estimate the amount of provision for allowances for ECLs of finance lease receivables, trade and other receivables based on the credit risk of respective balances. The amount of the impairment losses based on ECLs model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Details of the ECLs assessment are set out in note 36(b)(iv).

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker (the "CODM"), being most senior executive management, for the purposes of resource allocation and performance assessment, the Group presented the following three reportable segments:

- Sale of home furniture and accessories;
- Rental of home furniture and accessories; and
- Project and hospitality services.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned by each segment without allocation of certain other income, other gains and losses, net, certain depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets, certain provision for allowance for ECLs, certain impairment losses on non-financial assets, share of results of associates, finance costs and other central administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The CODM does not evaluate operating segment using information related to assets and liabilities, so segment assets and liabilities are not reported to the CODM. Accordingly, no reportable segment assets and liabilities have been presented.

Segment revenue and results

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

For the eighteen months ended 30 June 2025

	Sale of home furniture and accessories HK\$'000	Rental of home furniture and accessories HK\$'000	Project and hospitality services HK\$'000	Total HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
— At a point in time	169,354	—	—	169,354
— Over time	—	—	180,702	180,702
Revenue from other sources	—	33,421	—	33,421
	<u>169,354</u>	<u>33,421</u>	<u>180,702</u>	<u>383,477</u>
Reportable segment results	<u>43,413</u>	<u>26,029</u>	<u>86,005</u>	<u>155,447</u>
Unallocated items:				
Bank interest income				79
Fair value gains on financial assets at FVTPL				12,561
Fair value losses on investment properties				(2,303)
Rental income from investment properties				150
Interest income from loan receivables				159
Gain on disposal of subsidiaries				2,362
Share of results of associates				1,650
Provision for allowance for ECLs				(928)
Impairment losses on non-financial assets				(4,000)
Amortisation of intangible assets				(21)
Finance costs				(4,012)
Staff costs				(92,295)
Unallocated other corporate expenses				(73,578)
Loss before income tax				<u>(4,729)</u>
Gain on disposal of property, plant and equipment	—	(169)	—	(169)
Interest income from finance lease receivables	—	(1,506)	—	(1,506)
Provision for inventories, net	3,939	—	—	3,939
Provision for allowance for ECLs	187	—	—	187
Depreciation of property, plant and equipment	393	2,138	—	2,531
Depreciation of right-of-use assets	<u>5,033</u>	<u>—</u>	<u>—</u>	<u>5,033</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2023

	Sale of home furniture and accessories HK\$'000	Rental of home furniture and accessories HK\$'000	Project and hospitality services HK\$'000	Total HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– At a point in time	130,888	–	–	130,888
– Over time	–	–	94,420	94,420
Revenue from other sources	–	25,258	–	25,258
	<u>130,888</u>	<u>25,258</u>	<u>94,420</u>	<u>250,566</u>
Reportable segment results	<u>63,149</u>	<u>17,464</u>	<u>30,759</u>	111,372
Unallocated items:				
Bank interest income				199
Fair value losses on financial assets at FVTPL				(2,938)
Fair value gains on investment properties				421
Interest income from loan receivables				296
Rental income from investment properties				14
Provision for allowance for ECLs				(6,200)
Impairment losses on non-financial assets				(598)
Depreciation of property, plant and equipment				(189)
Depreciation of right-of-use assets				(247)
Amortisation of intangible assets				(15)
Finance costs				(2,850)
Staff costs				(72,829)
Unallocated other corporate expenses				<u>(62,279)</u>
Loss before income tax				<u>(35,843)</u>
Gain on disposal of property, plant and equipment, net	–	(6)	–	(6)
Interest income from finance lease receivables	–	(1,512)	–	(1,512)
Royalty income from franchising	–	–	(851)	(851)
Provision for inventories, net	355	–	–	355
Provision for allowance for ECLs	–	–	3,452	3,452
Impairment losses on non-financial assets	7,907	677	–	8,584
Depreciation of property, plant and equipment	570	3,584	–	4,154
Depreciation of right-of-use assets	<u>3,151</u>	<u>–</u>	<u>–</u>	<u>3,151</u>

There were no inter-segment revenue for the eighteen months ended 30 June 2025 and year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Hong Kong	283,193	149,682
The UAE	100,190	99,013
The PRC (excluding Hong Kong and Macao)	94	1,871
	<u>383,477</u>	<u>250,566</u>

The above revenue information is based on the locations of the customers.

Non-current assets

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Hong Kong	24,679	22,042
The UAE	733	3,764
	<u>25,412</u>	<u>25,806</u>

The above non-current assets information is based on the locations of the assets and excluded the finance lease receivables and financial assets at FVTPL as at 30 June 2025 and 31 December 2023.

Information about major customers

Revenue from customers of the corresponding period/year contributing 10% of the total revenue of the Group are as follows:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Customer A (note)	<u>104,060</u>	N/A

Note: Revenue from customer A for the eighteen months ended 30 June 2025 represented revenue arising from project and hospitality services. The corresponding revenue for the year ended 31 December 2023 did not contributed over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

The project contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June 2025 and 31 December 2023.

5. OTHER INCOME, GAINS AND LOSSES, NET

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Bank interest income	79	199
Fair value gains/(losses) on financial assets at FVTPL	12,561	(2,938)
Fair value (losses)/gains on investment properties (Note 14)	(2,303)	421
Gain on disposal of property, plant and equipment	169	6
Gain on disposal of subsidiaries, net (Note 38(d))	2,362	–
Interest income from finance lease receivables	1,506	1,512
Interest income from loan receivables	159	296
Royalty income from franchising	–	851
Rental income from investment properties (Note 14)	150	14
Consultancy income	–	801
Sundry income	2,091	1,545
	<u>16,774</u>	<u>2,707</u>

6. FINANCE COSTS

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Interest on bank and other borrowings	2,240	1,053
Interest on lease liabilities	1,772	1,797
	<u>4,012</u>	<u>2,850</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Auditors' remuneration	1,000	1,000
Amortisation of intangible assets	21	15
Cost of inventories recognised as expenses	212,695	115,996
Depreciation of property, plant and equipment	2,531	4,343
Depreciation of right-of-use assets	5,033	3,398
Expenses related to short-term leases	11,323	4,363
Expenses relating to variable lease payments not included in the measurement of lease liabilities	218	606
Provision for/(reversal of) allowance for ECLs:		
— Contract assets	—	(840)
— Trade receivables	187	4,292
— Other receivables	928	6,200
	<u>1,115</u>	<u>9,652</u>
Impairment losses on non-financial assets:		
— Non-refundable deposit (Note 19)	4,000	—
— Property, plant and equipment (Note 11)	—	1,283
— Right-of-use assets (Note 13)	—	7,899
	<u>4,000</u>	<u>9,182</u>
Staff costs (including directors' emoluments (Note 9(a)))		
— Salaries, allowance and commission	89,166	69,532
— Retirement benefits scheme contributions	1,583	1,975
— Provision for LSP and employees' end-of-service benefits (Note 28)	1,511	1,322
— Share-based payment expenses (Note 33)	35	—
	<u>92,295</u>	<u>72,829</u>
Total staff costs (Note)	92,295	72,829
Provision for reinstatement costs for rented premises (Note 28)	—	240
Provision for inventories, net, included in cost of sales	<u>3,939</u>	<u>355</u>

Note: Staff costs of approximately HK\$92,295,000 (year ended 31 December 2023: HK\$72,829,000) during the eighteen months ended 30 June 2025 comprised of (i) staff costs of approximately HK\$48,268,000 (year ended 31 December 2023: HK\$29,719,000) included in selling and distribution expenses; and (ii) staff costs of approximately HK\$44,027,000 (year ended 31 December 2023: HK\$43,110,000) included in administrative and other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

8. INCOME TAX EXPENSE

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Hong Kong Profits Tax		
— Provision for the period/year	513	—
Deferred taxation	—	69
	513	69

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits of the subsidiaries incorporated in Hong Kong for the eighteen months ended 30 June 2025 and year ended 31 December 2023. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2023 as there was no assessable profit generated.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries established in the PRC is 25% for the eighteen months ended 30 June 2025 and year ended 31 December 2023. No provision for PRC EIT has been made as there was no assessable profit generated from the PRC for the eighteen months ended 30 June 2025 and year ended 31 December 2023.

The Corporate Income Tax in the UAE was calculated at 9% of the estimated assessable profits of the subsidiaries incorporated in the UAE for the eighteen months ended 30 June 2025 and year ended 31 December 2023. No provision for the Corporate Income Tax in the UAE has been made for the eighteen months ended 30 June 2025 and year ended 31 December 2023 as there was no assessable profit generated.

The Group is not subject to any income tax in other jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

8. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and loss before income tax at applicable tax rates is set out below:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Loss before income tax	<u>(4,729)</u>	<u>(35,843)</u>
Notional tax at applicable tax rates at respective jurisdictions	269	(5,005)
Tax effect of non-taxable income	(3,059)	(400)
Tax effect of non-deductible expenses	920	1,351
Tax effect of deductible temporary differences not recognised	1,039	405
Tax effect on unused tax losses not recognised	<u>1,344</u>	<u>3,718</u>
Income tax expense	<u>513</u>	<u>69</u>

As at 30 June 2025, deferred tax assets arising from deductible temporary differences of approximately HK\$8,549,000 (31 December 2023: HK\$985,000) has not been recognised as no sufficient taxable profit will be available in the foreseeable future.

At 30 June 2025, the Group has estimated unused tax losses arising in Hong Kong of approximately HK\$79,722,000 (31 December 2023: HK\$71,577,000) that are available indefinitely for offsetting against future taxable profits of the subsidiaries of the Company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. In the opinion of the directors of the Company, the estimated unused tax losses arising in the UAE were insignificant to the consolidated financial statements. Estimated unused tax losses arising in the UAE might be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the eighteen months ended 30 June 2025

	Fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Provision for LSP HK\$'000	Share- based payment expenses HK\$'000	Total HK\$'000
Executive directors							
Mr. MCLENNAN John Warren (Note (d))	-	2,197	18	9	-	-	2,224
Ms. AHMIN Shawlain (Note (d))	89	-	-	-	-	-	89
Ms. WONG Wing Man (Chairperson) (Note (e))	540	9,420	-	27	-	1	9,988
Mr. Wong Sui Chi (Note (b))	194	-	-	-	-	1	195
Mr. LAW Sai Kit (Note (f))	194	-	-	-	-	1	195
Mr. LAM Chun Hin (Note (f))	194	-	-	-	-	1	195
Independent non-executive directors							
Mr. Wong Sui Chi (Note (b))	25	-	-	-	-	-	25
Mr. SO Alan Wai Shing	90	-	-	-	-	1	91
Mr. LEE Kwong Ming	90	-	-	-	-	1	91
Mr. LEE Fung Lun (Note (d))	30	-	-	-	-	-	30
Mr. Chan Kin Sun (Note (c))	90	-	-	-	-	1	91
Total	1,536	11,617	18	36	-	7	13,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Year ended 31 December 2023

	Fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Provision for LSP HK\$'000	Share- based payment expenses HK\$'000	Total HK\$'000
Executive directors							
Mr. MCLENNAN John Warren (Chairman) (Note (d))	-	752	-	18	-	-	770
Ms. MOK Fiona Lai Yin (Note (g))	-	217	-	3	-	-	220
Mr. SO Wilson Kin Ting (Note (a))	87	-	-	-	-	-	87
Ms. AHMIN Shawlain (Note (d))	180	-	-	-	-	-	180
Mr. WONG Ka Man (Note (a))	68	-	-	-	-	-	68
Ms. WONG Wing Man (Note (e))	360	3,509	-	18	-	-	3,887
Non-executive director							
Mrs. MCLENNAN Jennifer Carver (Note (a))	21	-	-	-	-	-	21
Independent non-executive directors							
Mr. SO Alan Wai Shing	60	-	-	-	-	-	60
Mr. LEE Kwong Ming	60	-	-	-	-	-	60
Mr. LEE Fung Lun (Note (d))	60	-	-	-	-	-	60
Mr. SZUTU Tom Kuet (Note (a))	21	-	-	-	-	-	21
Mr. MAK Kurt Kwai Ching (Note (a))	21	-	-	-	-	-	21
Mr. Wong Sui Chi (Note (b))	17	-	-	-	-	-	17
Mr. Chan Kin Sun (Note (c))	5	-	-	-	-	-	5
Total	960	4,478	-	39	-	-	5,477

Notes:

- (a) Retired on 12 May 2023.
- (b) Appointed as an independent non-executive director of the Company on 18 September 2023 and re-designated from an independent non-executive director to executive director of the Company on 3 June 2024.
- (c) Appointed on 1 December 2023.
- (d) Retired on 28 June 2024.
- (e) Appointed on 13 March 2023.
- (f) Appointed on 3 June 2024.
- (g) Resigned on 13 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

During the eighteen months ended 30 June 2025 and year ended 31 December 2023, there were no amounts paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

The discretionary bonus is determined by the remuneration committee of the Company having regard to his performance and the Company's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Employee' emoluments

The five highest-paid individuals for the eighteen months ended 30 June 2025 included one (year ended 31 December 2023: one) director whose emoluments are included in the disclosures in Note 9(a). The emoluments of the remaining four (year ended 31 December 2023: four) individuals are as follows:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Salaries and other allowances	12,997	5,845
Discretionary bonus	225	240
Retirement benefit scheme contributions	408	90
Total	<u>13,630</u>	<u>6,175</u>

During the eighteen months ended 30 June 2025 and year ended 31 December 2023, there were no amounts paid or payable by the Group to any of the top five highest-paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any of the top five highest-paid employees waived or agreed to waive any emoluments during eighteen months ended 30 June 2025 and year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employee' emoluments (Continued)

Their emoluments are within the following bands:

	Eighteen months ended 30 June 2025	Year ended 31 December 2023
	<i>Number of Employees</i>	<i>Number of employees</i>
Nil to HK\$500,000	Nil	1
HK\$500,001 to HK\$1,000,000	Nil	1
HK\$1,000,001 to HK\$1,500,000	Nil	3
HK\$2,000,001 to HK\$2,500,000	3	Nil
HK\$2,500,001 to HK\$3,000,000	2	Nil

10. LOSS PER SHARE

The calculation of the basic loss per share is based on loss for the period attributable to owners of the Company of approximately HK\$5,571,000 (year ended 31 December 2023: HK\$33,524,000) and the weighted average number of ordinary shares in issue of 274,252,665 (year ended 31 December 2023: 177,397,436 (restated)).

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been adjusted to take into effect the bonus elements on the rights issue (Note 29(viii)) as if it had been effective on 1 January 2023.

The diluted loss per share for the eighteen months ended 30 June 2025 is the same with the basic loss per share since the conversion of the Company's outstanding share options would result in decrease in loss per share.

The diluted loss per share for the year ended 31 December 2023 was the same with the basic loss per share as there was no potential dilutive ordinary shares in issue during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

11. PROPERTY, PLANT AND EQUIPMENT

	Decoration and fittings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Furniture for rental HK\$'000	Total HK\$'000
Cost:						
At 1 January 2023	24,273	2,890	15,337	2,335	13,876	58,711
Additions	864	35	168	532	3,329	4,928
Disposals	–	–	(9)	(75)	–	(84)
Write-off	(1,805)	(47)	(87)	–	–	(1,939)
Reclassification to assets held for sale (Note 24)	–	(100)	(514)	–	(592)	(1,206)
Exchange realignment	11	1	1	1	(1)	13
At 31 December 2023 and 1 January 2024	23,343	2,779	14,896	2,793	16,612	60,423
Additions	1,353	–	–	–	3,436	4,789
Transfer from right-of-use assets (Note 13)	–	–	–	802	–	802
Disposals	–	(347)	(339)	(883)	–	(1,569)
Write-off	(2,908)	–	–	–	–	(2,908)
Exchange realignment	(51)	(6)	(33)	(6)	(36)	(132)
At 30 June 2025	21,737	2,426	14,524	2,706	20,012	61,405
Accumulated depreciation and impairment losses:						
At 1 January 2023	24,211	2,881	15,296	2,292	12,559	57,239
Charge for the year	570	6	98	85	3,584	4,343
Write-back on disposals	–	–	(9)	(75)	–	(84)
Impairment losses (Note)	317	18	70	201	677	1,283
Write-back on write-off	(1,805)	(47)	(87)	–	–	(1,939)
Reclassification to assets held for sale (Note 24)	–	(100)	(514)	–	(592)	(1,206)
Exchange realignment	12	1	2	2	–	17
At 31 December 2023 and 1 January 2024	23,305	2,759	14,856	2,505	16,228	59,653
Charge for the period	50	20	–	288	2,173	2,531
Transfer from right-of-use assets (Note 13)	–	–	–	802	–	802
Write-back on disposals	–	(347)	(299)	(883)	–	(1,529)
Write-back on write-off	(2,908)	–	–	–	–	(2,908)
Exchange realignment	(51)	(6)	(33)	(6)	(35)	(131)
At 30 June 2025	20,396	2,426	14,524	2,706	18,366	58,418
Carrying amount:						
At 30 June 2025	1,341	–	–	–	1,646	2,987
At 31 December 2023	38	20	40	288	384	770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of furniture held for rental are leased out under operating leases. The leases typically run for an initial period of 2 years, with an option to renew after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payment receivables under non-cancellable operating leases is as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within 1 year	3,769	4,408
More than 1 year but within 2 years	412	507
	<u>4,181</u>	<u>4,915</u>

Impairment assessment of non-financial assets

As a result of the unfavourable performance of certain subsidiaries in Hong Kong and Dubai (year ended 31 December 2023: Hong Kong, the PRC and Dubai) for the eighteen months ended 30 June 2025 due to the unstable market demand, the management of the Group conducted impairment assessment on the property, plant and equipment and right-of-use assets owned by those subsidiaries as at 30 June 2025 (31 December 2023: property, plant and equipment, intangible assets and right-of-use assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of non-financial assets (Continued)

The Group performed impairment assessment on the above-mentioned assets by identifying the recoverable amount of the respective CGUs, which the management of the Group identified two CGUs — operation in Hong Kong (“**HK CGU**”) and operation in Dubai (“**Dubai CGU**”). The recoverable amount was determined to be higher of fair value less costs of disposal or value in use. The management of the Group determined the recoverable amount based on value in use calculations of the HK CGU and Dubai CGU. Value in use calculations used cash flows projection of the respective CGU, based on the financial budgets approved by the directors of the Company, covering a five-year period projected with a terminal value, discounted to their present value using a pre-tax discount rate. The underlying assumptions and estimates used in the value in use calculation are as follows:

	HK CGU		Dubai CGU	
	As at 30 June 2025	As at 31 December 2023	As at 30 June 2025	As at 31 December 2023
Growth rate	3%	3%	3%	3%
Terminal growth rate	3%	3%	3%	3%
Pre-tax discount rate	16.2%	18.2%	15.6%	17.4%

The management of the Group estimates the pre-tax discount rate that reflect market assessment of the time value of money and specific risk related to the industry.

HK CGU

Based on the value in use calculation, no impairment loss on property, plant and equipment and right-of-use assets has been recognised for the eighteen months ended 30 June 2025.

Based on the value in use calculation, the recoverable amount of these assets was nil as at 31 December 2023. Impairment losses on property, plant and equipment and right-of-use assets of approximately HK\$1,283,000 and HK\$4,395,000 respectively were recognised for the year ended 31 December 2023.

Dubai CGU

Based on the value in use calculation, no impairment loss on property, plant and equipment and right-of-use assets has been recognised for the eighteen months ended 30 June 2025.

Based on the value in use calculation, the recoverable amount of these assets was approximately HK\$17,665,000 as at 31 December 2023. Impairment losses on right-of-use assets of approximately HK\$3,096,000 respectively were recognised for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

12. INTANGIBLE ASSETS

	Software <i>HK\$'000</i>
Cost:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2025	<u>7,718</u>
Accumulated amortisation and impairment losses:	
At 1 January 2023	7,682
Charge for the year	<u>15</u>
At 31 December 2023 and 1 January 2024	7,697
Charge for the period	<u>21</u>
At 30 June 2025	<u>7,718</u>
Carrying amount:	
At 30 June 2025	<u><u>-</u></u>
At 31 December 2023	<u><u>21</u></u>

Details of impairment assessment of intangible assets are set out in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

13. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
At 1 January 2023	65,999	802	66,801
Additions	12,937	–	12,937
Write-off upon expiry	(48,376)	–	(48,376)
Reclassification to assets held for sale (Note 24)	(1,095)	–	(1,095)
Exchange realignment	30	–	30
At 31 December 2023 and 1 January 2024	29,495	802	30,297
Additions	5,134	–	5,134
Transfer to property, plant and equipment (Note 11)	–	(802)	(802)
Exchange realignment	(74)	–	(74)
At 30 June 2025	34,555	–	34,555
Accumulated depreciation and impairment losses:			
At 1 January 2023	64,646	798	65,444
Charge for the year	3,396	2	3,398
Impairment losses (Notes 11 and 24)	7,899	–	7,899
Write-off upon expiry	(48,376)	–	(48,376)
Reclassification to assets held for sale (Note 24)	(1,095)	–	(1,095)
Exchange realignment	32	–	32
At 31 December 2023 and 1 January 2024	26,502	800	27,302
Charge for the period	5,031	2	5,033
Transfer to property, plant and equipment (Note 11)	–	(802)	(802)
Exchange realignment	277	–	277
At 30 June 2025	31,810	–	31,810
Carrying amount:			
At 30 June 2025	2,745	–	2,745
At 31 December 2023	2,993	2	2,995

The Group has obtained the right to use certain properties as its office premises, warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 2 or 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

13. RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets of approximately HK\$2,745,000 (31 December 2023: HK\$2,993,000) represents leased retail stores in Hong Kong and Dubai. None of the leases includes an option to renew or early termination. The leases of retail stores contain variable lease payment terms that are based on the sales generated from the retail stores.

During the eighteen months ended 30 June 2025, leased motor vehicles have been transferred to property, plant and equipment upon the expiry of the lease as the Group has option to purchase the motor vehicles for a nominal amount at the end of the lease term.

Details of the impairment assessment are set out in Note 11.

14. INVESTMENT PROPERTIES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
At the beginning of the reporting period	4,490	–
Acquisition through acquisitions of subsidiaries (Notes 37(c) and (d))	–	4,069
Disposal of subsidiaries (Note 38(a))	(2,187)	–
Fair value changes during the period/year (Note 5)	(2,303)	421
At the end of the reporting period	–	4,490

The investment properties were leased to certain independent third parties for rental purpose. The investment properties have been disposed along with the disposal (the “Disposal”) of equity interests in Shine Key Inc Limited (“Shine Key”) and Mega Champion Inc Limited (“Mega Champion”) (Note 38(a)) completed on 21 January 2025.

The future minimum lease receivables under non-cancellable operating lease contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within one year	–	101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

14. INVESTMENT PROPERTIES (CONTINUED)

During the eighteen months ended 30 June 2025, rental income deriving from the investment properties amounted to approximately HK\$150,000 (year ended 31 December 2023: HK\$14,000). The directors of the Company considered that the amounts of the direct operating expenses arising from investment properties that generated rental income and not generated rental income were insignificant for eighteen months ended 30 June 2025 and year ended 31 December 2023.

Details of the Group's investment properties as at 21 January 2025 (date of completion of the Disposal) and 31 December 2023 are as follows:

Location	Description/existing use	Tenure
Workshop 68 on 7th floor, New East Sun Industrial Building, No. 18 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	Factory unit	Ho Hei In
Workshop 56 on 7th floor, New East Sun Industrial Building, No. 18 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	Factory unit	樂足功夫

Fair value hierarchy — Recurring fair value measurements

The fair values of the Group's investment properties are categorised into level 3 of the fair value hierarchy as defined in Note 36(c). There were no transfers between Levels 1, 2 and 3 during eighteen months ended 30 June 2025 and year ended 31 December 2023.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer.

Valuation process of the Group

Independent valuations of the Group's investment properties were performed by an independent qualified valuer, to determine the fair value of the investment properties at the date of completion of the Disposal and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

14. INVESTMENT PROPERTIES (CONTINUED)

Valuation technique

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties at the date of completion of the Disposal and 31 December 2023:

Type of properties	Valuation techniques	Significant unobservable inputs	Rate of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Factory units	Income approach — term and reversionary approach	Passing rent (per square feet ("sq.f.") and per month	Date of completion of the Disposal: HK\$14–16 (31 December 2023: HK\$19–20)	The higher of the passing rent, the higher of the fair value
		Market rent (per sq.f. and per month)	Date of completion of the Disposal: HK\$18 (31 December 2023: HK\$21)	The higher of the market rent, the higher of the fair value
		Term yield	Date of completion of the Disposal: 2% (31 December 2023: 3%)	The higher of the term yield, the lower of the fair value
		Reversionary yield	Date of completion of the Disposal: 3% (31 December 2023: 4%)	The higher of the reversionary yield, the lower of the fair value

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

15. INTERESTS IN ASSOCIATES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Cost of investments in associates	12,404	5,200
Amounts due from associates (Note)	5,626	8,330
Share of post-acquisition profit and other comprehensive income, net of dividend received	1,650	—
	<u>19,680</u>	<u>13,530</u>

Note: The amounts due from associates of approximately HK\$5,626,000 (31 December 2023: HK\$8,330,000) form part of the investments in associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

15. INTERESTS IN ASSOCIATES (CONTINUED)

As at 30 June 2025 and 31 December 2023, the Group had interests in associates as follows:

Name of entity	Place of business/ place of incorporation/ establishment	% of effective ownership interest and voting power		Principal activity
		As at 30 June 2025	As at 31 December 2023	
Hong Kong Taichen	Hong Kong	N/A (Note (b))	40% (Note (a))	Investment holding
Huizhou Taichen	The PRC	50% (Notes (b) and (c))	20% (Note (a))	Animal husbandry business in the PRC

Notes:

- (a) On 10 November 2023, the Group entered into an agreement (the “**Agreement 1**”) with an independent third party of the Group (the “**Vendor**”) to acquire 40% equity interest in Hong Kong Taichen at a cash consideration of HK\$5,200,000. The above-mentioned acquisition has been completed on 20 November 2023. At the completion of the above-mentioned acquisition, Hong Kong Taichen directly held 20% equity interest in Huizhou Taichen, with principal activity of animal husbandry business in the PRC.

In accordance with the Agreement 1, the Vendor irrevocable undertakes the Group that the actual profit after tax of Huizhou Taichen for each of the financial years ended 31 December 2024 and 2025, as audited by the auditor of Huizhou Taichen, shall not be less than RMB1,000,000 (the “**Guaranteed Profit**”). If the actual profit of Huizhou Taichen is less than the Guaranteed Profit in any of the guaranteed period, the Vendor shall, within one month after the issue of the auditor’s report from the auditor of Huizhou Taichen, repurchase the 40% equity interest in Hong Kong Taichen at the consideration of HK\$5,200,000.

The above term constituted contingent consideration receivables which are measured at fair value on initial recognition. The fair value of the contingent consideration receivables is based on the valuation performed by the management of the Group in accordance with HKFRS 13 *Fair Value Measurement*, using multiple-scenario model, which is reviewed and approved by the directors of the Company. The fair value measurement of the contingent consideration receivables are measured using valuation techniques with significant unobservable inputs and categories as level 3 of the fair value hierarchy.

In the opinion of the directors of the Company with reference to the fair value valuation of the contingent consideration receivables, the directors of the Company considered that the unfulfillment of the Guaranteed Profit was remote and the fair value of the contingent consideration receivables was insignificant to the consolidated financial statements at the date of above-mentioned acquisition, as at 31 December 2023 and 30 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

15. INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

- (b) On 23 September 2024, the Group entered into another agreement (the “**Agreement 2**”) with the Vendor to acquire further 40% equity interest in Hong Kong Taichen at a consideration of HK\$4,500,000, comprising (i) cash consideration of approximately HK\$4,021,000; and (ii) 2,900,000 shares of the Company. The above-mentioned acquisition has been completed on 7 October 2024. At the completion of the above-mentioned acquisition, HK Taichen became an indirectly non-wholly owned subsidiary of the Company with 80% equity interest held by the Company, while Huizhou Taichen remained as associate of the Group with 50% equity interest held through HK Taichen.

Details of the acquisition of HK Taichen are set out in Note 39.

In accordance with the Agreement 2, the Vendor further irrevocably undertakes the Group that if the actual profit of Huizhou Taichen is less than the Guaranteed Profit in any of the guaranteed period, the Vendor shall, within one month after the issue of the auditor's report from the auditor of Huizhou Taichen, repurchase further 40% equity interest in Hong Kong Taichen at the consideration of HK\$4,500,000.

Similar to the contingent consideration receivables as identified in Note (a), the above term constituted contingent consideration receivables which are measured at fair value on initial recognition. The fair value of the contingent consideration receivables is based on the valuation performed by the management of the Group in accordance with HKFRS 13 Fair Value Measurement, using multiple-scenario model, which is reviewed and approved by the directors of the Company. The fair value measurement of the contingent consideration receivables are measured using valuation techniques with significant unobservable inputs and categories as level 3 of the fair value hierarchy.

In the opinion of the directors of the Company with reference to the fair value valuation of the contingent consideration receivables, the directors of the Company considered that the unfulfillment of the Guaranteed Profit was remote and the fair value of the contingent consideration receivables was insignificant to the consolidated financial statements as at the date of above-mentioned acquisition and 30 June 2025.

- (c) The directors of the Company considered Huizhou Taichen, which the Group indirectly held 50% equity interest through HK Taichen, is an associate of the Group since the Group has only significant influence over Huizhou Taichen without control nor joint control over Huizhou Taichen as the sole director of Huizhou Taichen was another shareholder of Huizhou Taichen and the Group only has the power to participate in operating and financial policy-making process in Huizhou Taichen.

The reconciliation of the interests in associates is presented as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
At the beginning of the reporting period	13,530	–
Acquisition of associates (<i>Notes (a) and (b) above</i>)	4,500	5,200
Advance to associates considered form part of the interests in associates (<i>Note</i>)	–	8,330
Share of results of associates (<i>Note</i>)	1,650	–
At the end of the reporting period	<u>19,680</u>	<u>13,530</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

15. INTERESTS IN ASSOCIATES (CONTINUED)

Upon the completion of the acquisition of further 40% equity interest in HK Taichen, HK Taichen became an indirectly non-wholly owned subsidiary of the Company. As detailed in Note 37(a), such acquisition was accounted for as acquisition of assets as the principal activity of HK Taichen is investment holding while no business has been identified from such acquisition.

As such, the excess of the consideration paid, after deducting the net assets of HK Taichen and the non-controlling interest, represented 20% equity interest in HK Taichen, acquired through above-mentioned acquisition, being approximately HK\$2,704,000, constitute investment in Huizhou Taichen and crystallised from the amounts due from associates. Hence, there was decrease in amounts due from associates of approximately HK\$2,704,000 and corresponding increase in investment cost of approximately HK\$2,704,000.

Immediately after the above-mentioned acquisition, the effective interest over Huizhou Taichen has been increased from 20% to 50% as a result that HK Taichen became an indirectly owned subsidiary of the Company. As such, such increase in effective interest over Huizhou Taichen constituted deemed acquisition of additional 10% equity interest in Huizhou Taichen and additional share of results of associates of approximately HK\$872,000 has been recognised during the eighteen months ended 30 June 2025.

Hence, the share of results of associates during the eighteen months ended 30 June 2025 comprised (i) share of profit of Huizhou Taichen of approximately HK\$778,000; and (ii) deemed acquisition of additional 10% equity interest in Huizhou Taichen of approximately HK\$872,000.

The summarised financial information in respect of Huizhou Taichen, that is material to the Group and are accounted for using equity method, is set out below:

	As at 30 June 2025 HK\$'000	As at 7 October 2024 HK\$'000	As at 31 December 2023 HK\$'000
Current assets	23,543	19,375	12,864
Non-current assets	10,178	13,156	13,136
Current liabilities	5,614	5,614	–
Net assets	28,107	26,917	26,000
Proportion of the Group's ownership interest	50%	50%	20%
Group's share of net assets	14,054	13,459	5,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

15. INTERESTS IN ASSOCIATES (CONTINUED)

	From 7 October 2024 to 30 June 2025 HK\$'000	From 1 April 2024 to 7 October 2024 HK\$'000	From 20 November 2023 to 31 December 2023 HK\$'000
Revenue	11,141	11,832	–
Profit and total comprehensive income for the period	1,190	917	–
Proportion of the Group's ownership interest	50%	20%	20%
Group's share of results of associates	595	183	–

16. LOAN RECEIVABLES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Loan receivables	–	2,792

As at 31 December 2023, loan receivables of approximately HK\$2,792,000 represented the loans advanced to an independent third party of the Group, which were interest bearing at 12% per annum and matured on 17 January 2024. Such loan receivables were secured by the personal guarantee of the independent third party as at 31 December 2023. The full amount of loan receivables was fully settled during the eighteen months ended 30 June 2025.

In the opinion of the directors of the Company, the allowance for ECL on loan receivables was insignificant to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

17. FINANCE LEASE RECEIVABLES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Current portion of finance lease receivables	4,930	3,250
Non-current portion of finance lease receivables	2,716	737
	7,646	3,987

The total minimum lease payment receivables under finance leases and their present values are as follows:

	Minimum lease payment receivables		Present value of minimum lease payments	
	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within 1 year	5,883	3,516	4,936	3,256
More than 1 year but less than 2 years	3,325	824	2,721	742
	9,208	4,340	7,657	3,998
Unearned interest income	(1,551)	(342)	–	–
Present value of minimum lease payment receivables	7,657	3,998	7,657	3,998
Less: allowance for ECLs	(11)	(11)	(11)	(11)
	7,646	3,987	7,646	3,987

Certain items of furniture are leased out under finance leases. The terms of finance leases ranged from 12 to 24 months as at 30 June 2025 (31 December 2023: 12 to 24 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rates ranged from 5% to 22% as at 30 June 2025 (31 December 2023: from 5% to 16.5%).

Finance lease receivables are secured over the furniture leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

18. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Non-current assets:		
Investment in an unlisted fund (note (i))	—	3,000
Current assets:		
Investments in unlisted equity securities (note (ii))	20,000	—
Investment in listed equity securities in Hong Kong (note (iii))	206	—
	<u>20,206</u>	<u>—</u>
	<u>20,206</u>	<u>3,000</u>

Notes:

(i) The investment in an unlisted fund represented the investment in a diversified fund incorporated in the Cayman Islands at a cost of approximately HK\$600,000. During the eighteen months ended 30 June 2025, fair value loss of approximately HK\$3,000,000 (year ended 31 December 2023: HK\$2,938,000) was recognised with reference to the fair value valuation of such unlisted fund. Details of the fair value measurement are set out in Note 36(c).

(ii) The investment in unlisted equity securities represented the investment in 6.37% equity interest in MPJS Group Limited (“MPJS”), a company incorporated in the British Virgin Islands, at a cash consideration of approximately HK\$4,000,000. MPJS is principally engaged into the jewelry wholesale, jewelry design, setting, production and retail direct sales. In accordance with the subscription agreement dated 9 October 2023, put option has been granted by MPJS to the Group pursuant to which the Group can exercise the put option to sell its equity interest to MPJS if MPJS does not materialise the possible listing within 24 months from 9 October 2023 (i.e. 9 October 2025).

During the eighteen months ended 30 June 2025, fair value gains of approximately HK\$16,000,000 (year ended 31 December 2023: nil) has been recognised with reference to the fair value valuation of such unlisted equity securities. Details of the fair value measurement are set out in Note 36(c).

Details are set out in the Company’s announcements dated 9 October 2023 and 2 May 2025.

(iii) The fair values of listed equity securities are based on bid prices as quoted in the Stock Exchange as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

19. NON-REFUNDABLE DEPOSIT

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Non-refundable deposit	—	4,000

On 17 November 2021, Indigo Living Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with an independent third party, a company incorporated in Hong Kong, in which both parties agreed to set up a joint venture company for the purpose of acquiring, design, renovating and selling individual condo units in Canada. Indigo Living Limited agreed to inject cash of HK\$4,000,000 while the independent third party agreed to inject cash and property units with aggregate amount of HK\$38,000,000. As at 31 December 2021, Indigo Living Limited paid HK\$4,000,000 to the independent third party as non-refundable deposit of the proposed joint venture.

As at 30 June 2025, the proposed joint venture has not yet been formed and the independent third party has been lost contact from the Group. Given such, in the opinion of the directors of the Company, the recoverability of the non-refundable deposit was being remote and impairment loss on non-refundable deposit of HK\$4,000,000 (year ended 31 December 2023: nil) has been recognised for the eighteen months ended 30 June 2025.

20. INVENTORIES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Merchandise goods	24,913	33,940
Less: allowance for inventories	(5,502)	(1,612)
	19,411	32,328

During the eighteen months ended 30 June 2025, provision for inventories of approximately HK\$3,939,000 (year ended 31 December 2023: HK\$355,000) has been recognised and included in cost of sales with reference to the net realisable value of the merchandise goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Gross amount arising from performance under project contracts	<u>2,606</u>	<u>2,158</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's project contract work includes payment schedules which require stage payments over the project contract period once certain milestones are reached. These payment schedules prevent the build-up of significant contract assets. A deposit is typically payable up-front and this has resulted in a contract liability at early stage of the project. The Group also typically agrees to a one year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. Further details on the Group's credit policy are set out in Note 36(b)(iv).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Billings in advance of performance from project contracts	<u>12,447</u>	<u>70,329</u>

When the Group receives a deposit before the project contract work commences, this will give rise to contract liabilities at the start of a project contract, until the revenue recognised on the project exceeds the amount of the deposit. It is common practice on the Group's project contracts to require a deposit before work commences.

Movements in contract liabilities:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
At the beginning of the reporting period	70,329	35,252
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period/year	(70,329)	(35,252)
Increase in contract liabilities as a result of billing in advance of project contract work contract liabilities ended during the period/year	9,968	73,081
Reclassification to liabilities of disposal subsidiaries classified as held for sale (Note 24)	–	(2,752)
Exchange realignment	<u>2,479</u>	<u>–</u>
At the end of the reporting period	<u>12,447</u>	<u>70,329</u>

The above balance represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period, all of which will be recognised as revenue during the subsequent reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

22. TRADE AND OTHER RECEIVABLES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Trade receivables, gross	30,092	40,414
Less: allowance for ECLs	(2,548)	(2,361)
Trade receivables, net	27,544	38,053
Other receivables	17,211	15,799
Trade deposits	4,477	23,021
Rental and other deposits	7,575	7,140
Prepayments	2,812	5,037
Staff advance	626	237
	32,701	51,234
Less: allowance for ECLs on other receivables	(4,787)	(3,859)
	27,914	47,375
	55,458	85,428

At 31 December 2023, amount of approximately HK\$4,395,000 (30 June 2025: nil) included in other receivables was due from a non-controlling shareholder of a subsidiary of the Company. The amount was interest-free, non-trade in nature and repayable on demand.

The ageing analysis of trade receivables, based on invoice date, which approximates the respective revenue recognition dates, and net of allowance for ECL, is as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within 1 month	21,906	27,751
More than 1 month but less than 3 months	2,441	7,686
More than 3 months but less than 12 months	2,591	2,505
More than 12 months	606	111
	27,544	38,053

Trade receivables are due within 30 days from the date of billing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

23. CASH AND CASH EQUIVALENTS

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Cash on hand and at banks	<u>4,926</u>	<u>23,303</u>

Cash at banks carried prevailing market interest rate as at 30 June 2025 and 31 December 2023.

24. ASSETS AND LIABILITIES OF DISPOSAL SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

On 13 March 2024, the Group entered into a sale and purchase agreement with an independent third party of the Group in connection with the disposal of the 100% equity interest in Deep Blue Living Limited (“**Deep Blue**”), an indirectly wholly held subsidiary of the Company, together with its wholly owned subsidiaries, Indigo China Home Furniture Trading (Shanghai) Limited* (因邸高家居商貿(上海)有限公司) (“**Indigo China**”) and Shanghai Indigo Decoration and Design Works Limited* (上海因邸閣裝潢設計工程有限公司) (“**Indigo Shanghai**”) (together with Deep Blue collectively referred to as the “**Disposal Subsidiaries**”), with a consideration of HK\$10,000. Deep Blue is an investment holding company in Hong Kong and its subsidiaries are engaged in sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings in the PRC. The disposal of equity interests in the Disposal Subsidiaries was completed on 14 March 2024.

As a result of the unfavourable performance of the retail store in the Disposal Subsidiaries due to the unstable market demand for the year ended 31 December 2023, the management of the Group conducted impairment assessment on the right-of-use assets owned by the Disposal Group as at 31 December 2023.

The Group performed impairment assessment on the right-of-use assets by identifying the recoverable amount of the Disposal Group. The recoverable amount was determined to be higher of fair value less costs of disposal or value in use. The management of the Group determined the recoverable amount based on value in use calculations of the Disposal Group. Value in use calculations used cash flows projection of the Disposal Group, based on the financial budgets approved by the directors of the Company, covering a five-year period projected with a terminal value, discounted to their present value using a pre-tax discount rate.

Based on the value-in-use calculation, impairment loss on right-of-use assets of approximately HK\$408,000 has been recognised for the year ended 31 December 2023.

* The English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

24. ASSETS AND LIABILITIES OF DISPOSAL SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

The major class of assets and liabilities as at 30 June 2025 and 31 December 2023 classified as held for sale are as follows:

	As at 30 June 2025 HK\$'000 (Note)	As at 31 December 2023 HK\$'000
Current assets		
Trade and other receivables	–	1,004
Cash and cash equivalents	–	105
	<u>–</u>	<u>1,109</u>
Assets of disposal subsidiaries classified as held for sale	<u>–</u>	<u>1,109</u>
Current liabilities		
Trade and other payables	–	1,664
Lease liabilities	–	388
Contract liabilities	–	2,752
Tax payable	–	964
	<u>–</u>	<u>5,768</u>
Liabilities as disposal subsidiaries classified as held for sale	<u>–</u>	<u>5,768</u>

Note: The assets and liabilities of the Disposal Subsidiaries were disposed of during the eighteen months ended 30 June 2025.

Details of the disposal of the Disposal Subsidiaries are set out in Note 38(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

25. TRADE AND OTHER PAYABLES

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Trade payables	2,768	8,365
Deposits received	4,504	2,806
Other payables	18,812	6,592
Accruals	3,575	9,271
	29,659	27,034

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The following is an ageing analysis of trade payables presented based on the invoice date:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within 1 month	425	1,222
More than 1 month but less than 3 months	349	6,479
More than 3 months	1,994	664
	2,768	8,365

Included in accruals as at 31 December 2023 were delivery service and manpower support payable to Winford Inc. Limited ("**Winford**") of approximately HK\$295,000 (30 June 2025: HK\$18,000), which was unsecured, interest-free and payable within 21 days after the invoice date. The executive director of the Company, Mr. John Warren McLennan (retired on 28 June 2024), held 29% equity interest in Winford as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Bank borrowing (Note (a))	3,300	8,645
Other borrowings (Note (b))	15,279	3,000
	18,579	11,645

Notes:

- (a) As at 30 June 2025, the bank borrowing amounted to approximately United Arab Emirates Dirham ("AED") 1,544,000 (31 December 2023: AED4,067,000), equivalent to approximately HK\$3,300,000 (31 December 2023: HK\$8,645,000), is unsecured and guaranteed by a personal guarantee of a director of the subsidiary of the Company, bears effective interest rate of 9.82% (31 December 2023: 9.82%) per annum.
- (b) As at 30 June 2025, the other borrowings amounted to approximately HK\$15,279,000 (31 December 2023: HK\$3,000,000) comprised the followings:
- (i) unsecured other borrowings from National Resources Capital Limited, a money lender in Hong Kong, with aggregate carrying amount of approximately HK\$4,400,000 (31 December 2023: HK\$3,000,000), which is unsecured and guaranteed by a personal guarantee of a director of the subsidiary of the Company, bears effective interest rate of 26% (31 December 2023: 24%) per annum; and
 - (ii) unsecured bond payable with principal amount of RMB10,000,000 (31 December 2023: Nil), equivalent to approximately HK\$10,879,000 (31 December 2023: Nil) subscribed from an independent third party of the Group, which is unsecured and unguaranteed, bears coupon rate of 1% (31 December 2023: Nil) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Carrying amount repayable (based on schedule repayment dates as set out in the loan agreements):

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within one year	17,235	6,517
After 1 year but within 2 years	1,344	3,786
After 2 years but within 5 years	—	1,342
	18,579	11,645
Carrying amount of bank borrowings that contains repayment on demand clause or repayable within one year from the end of the reporting period and shown under current liabilities	(18,579)	(11,645)
Amount shown in non-current liabilities	—	—

27. LEASE LIABILITIES

At 30 June 2025, the lease liabilities were repayable as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within 1 year and classified as current liabilities	4,765	11,818
More than 1 year but less than 2 years and classified as non-current liabilities	756	6,455
	5,521	18,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

27. LEASE LIABILITIES (CONTINUED)

The future minimum lease payments of the lease liabilities are as follows:

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Within one year	6,021	13,494
Over one year but not more than two years	918	7,738
Total lease payments	6,939	21,232
Less: future finance charges	(1,418)	(2,959)
Total lease obligations	5,521	18,273

28. PROVISIONS

	LSP HK\$'000	Employees' end-of-service benefits HK\$'000	Reinstatement costs for rented premises HK\$'000	Total HK\$'000
At 1 January 2023	300	4,566	2,283	7,149
Provision made	–	1,322	502	1,824
Provision reversed	–	–	(262)	(262)
Provision utilised	–	(565)	–	(565)
Exchange realignment	–	4	–	4
At 31 December 2023 and 1 January 2024	300	5,327	2,523	8,150
Provision made	–	1,511	–	1,511
Provision utilised	(97)	(810)	–	(907)
Exchange realignment	–	10	–	10
At 30 June 2025	203	6,038	2,523	8,764

(a) Provision for LSP

The Group's net obligation in respect of LSP to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services.

The amount payable is dependent upon the employee's final salary and period of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

28. PROVISIONS (CONTINUED)

(a) Provision for LSP (Continued)

Obligation to pay of LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay of LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) $\times$ 2/3 $\times$ Years of service

Last monthly wages are capped at HK\$22,500 while the amount of LSP shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting of LSP payable to an employee (the "**Offsetting Arrangement**").

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the of LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the of LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

(b) Provision for employees' end-of-service benefits

Provision for the employees' end-of-service benefits is made in accordance with the labour laws of the UAE, and is based on current remuneration and cumulative periods of service at the end of the reporting period.

(c) Provision for reinstatement costs for rented premises

Under the terms of the rental agreements signed with landlords, the Group shall remove and re-instate the rented premises at the Group's costs upon expiry of the relevant rental agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

28. PROVISIONS (CONTINUED)

(d) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the “**MPF scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF scheme is to make the required contributions. No forfeited contribution under the MPF scheme is available to reduce the contribution payable in future years. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The employees of subsidiaries established in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents for the entire pension obligations payable to retired employees. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

At 30 June 2025 and 31 December 2023, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future. During the eighteen months ended 30 June 2025, total contribution to retirement benefit schemes charged to consolidated profit or loss amounted to approximately HK\$1,583,000 (year ended 31 December 2023: HK\$1,975,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

29. SHARE CAPITAL

	Notes	Number of shares	Each share	Amount HK\$'000
Authorised:				
At 1 January 2023		10,000,000,000	HK\$0.01	100,000
Share consolidation	(iii)	(9,000,000,000)	N/A	N/A
At 31 December 2023, 1 January 2024 and 30 June 2025		<u>1,000,000,000</u>	<u>HK\$0.1</u>	<u>100,000</u>
Issued and fully paid:				
At 1 January 2023		1,320,000,000	HK\$0.01	13,200
Issue of shares upon placing on 6 February 2023	(i)	264,000,000	HK\$0.01	2,640
Issue of shares upon placing on 27 July 2023	(ii)	230,700,000	HK\$0.01	2,307
Share consolidation	(iii)	(1,633,230,000)	N/A	N/A
Issue of shares upon placing on 13 September 2023	(iv)	8,610,000	HK\$0.1	861
At 31 December 2023 and 1 January 2024		190,080,000	HK\$0.1	19,080
Issue of shares upon placing on 2 February 2024	(v)	22,500,000	HK\$0.1	2,250
Issue of shares upon placing on 20 March 2024	(vi)	15,516,000	HK\$0.1	1,552
Issue of shares upon placing on 28 August 2024	(vii)	42,700,000	HK\$0.1	4,270
Issue of shares for the acquisition of a subsidiary	37(a)	2,900,000	HK\$0.1	290
Issue of shares upon rights issue on 12 May 2025	(viii)	136,843,500	HK\$0.1	13,684
At 30 June 2025		<u>410,539,500</u>	<u>HK\$0.1</u>	<u>41,054</u>

Notes:

- (i) On 9 January 2023, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 264,000,000 shares of the Company at a price of HK\$0.052 per each placing share. The above-mentioned placing has been completed on 6 February 2023, with issue of 264,000,000 shares of the Company at HK\$0.052 per each placing share with gross proceeds of HK\$13,728,000. The net proceeds of the above-mentioned placing was approximately HK\$13,452,000, net of directly attributable cost of approximately HK\$276,000. Approximately HK\$2,640,000 and HK\$10,812,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 9 January 2023, 20 January 2023 and 6 February 2023.

- (ii) On 9 June 2023, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 316,800,000 shares of the Company at a price of HK\$0.078 per each placing share. The above-mentioned placing has been completed on 27 July 2023, with issue of 230,700,000 shares of the Company at HK\$0.078 per each placing share with gross proceeds of HK\$17,995,000. The net proceeds of the above-mentioned placing was approximately HK\$17,635,000, net of directly attributable cost of approximately HK\$360,000. Approximately HK\$2,307,000 and HK\$15,328,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 9 June 2023, 30 June 2023 and 27 July 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

29. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (iii) On 16 June 2023, the directors of the Company proposed to implement the share consolidation on the basis that every ten issued and unissued shares of the Company of HK\$0.01 each would be consolidated into one consolidated share of the Company of HK\$0.1 each. The share consolidation was passed by ordinary resolution of the shareholder of the Company in an extraordinary general meeting on 26 July 2023 and became effective on 28 July 2023. Immediately after the completion of the share consolidation on 28 July 2023, the authorised share capital was changed from 10,000,000,000 shares of HK\$0.01 each to 1,000,000,000 shares of HK\$0.1 each while the issued share capital was changed from 1,814,700,000 shares of HK\$0.01 each to 181,470,000 shares of HK\$0.1 each.

Details are set out in the Company's announcements dated 16 June 2023, 10 July 2023 and 26 July 2023 and the Company's circular dated 10 July 2023.

- (iv) On 30 August 2023, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 8,610,000 shares of the Company at a price of HK\$0.2 per each placing share. The above-mentioned placing has been completed on 13 September 2023, with issue of 8,610,000 shares of the Company at HK\$0.2 per each placing share with gross proceeds of HK\$1,722,000. The net proceeds of the above-mentioned placing was approximately HK\$1,687,000, net of directly attributable cost of approximately HK\$35,000. Approximately HK\$861,000 and HK\$826,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 30 August 2023 and 13 September 2023.

- (v) On 17 January 2024, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 38,016,000 shares of the Company at a price of HK\$0.21 per each placing share. The above-mentioned placing has been completed on 2 February 2024, with issue of 22,500,000 shares of the Company of HK\$0.21 per each placing share with gross proceeds of HK\$4,725,000. The net proceeds of the above-mentioned placing was approximately HK\$4,630,000, net of directly attributable cost of approximately HK\$95,000. Approximately HK\$2,250,000 and HK\$2,380,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 17 January 2024 and 2 February 2024.

- (vi) On 4 March 2024, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 15,516,000 shares of the Company at a price of HK\$0.21 per each placing share. The above-mentioned placing has been completed on 20 March 2024, with issue of 15,516,000 shares of the Company of HK\$0.21 per each placing share with gross proceeds of approximately HK\$3,258,000. The net proceeds of the above-mentioned placing was approximately HK\$3,209,000, net of directly attributable cost of approximately HK\$49,000. Approximately HK\$1,552,000 and HK\$1,657,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 4 March 2024 and 20 March 2024.

- (vii) On 8 August 2024, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 42,700,000 shares of the Company at a price of HK\$0.165 per each placing share. The above-mentioned placing has been completed on 28 August 2024, with issue of 42,700,000 shares of the Company of HK\$0.165 per each placing share with gross proceeds of approximately HK\$7,046,000. The net proceeds of the above-mentioned placing was approximately HK\$6,905,000, net of directly attributable cost of approximately HK\$141,000. Approximately HK\$4,270,000 and HK\$2,635,000 were credited to share capital and share premium of the Company respectively upon the completion.

Details are set out in the Company's announcements dated 8 August 2024, 12 August 2024 and 28 August 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

29. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (viii) On 19 March 2025, the directors of the Company proposed to implement a rights issue on the basis of one rights share for every two shares of the Company at the subscription price of HK\$0.1 per each rights share. 136,848,000 rights shares would be issued with gross proceeds of approximately HK\$13,685,000. On 6 May 2025, a total of 53,493,500 rights shares have been received while among 83,354,500 unsubscribed rights shares, 83,350,000 unsubscribed rights shares were placed to independent placees. A total of 136,843,500 shares of the Company have been issued upon the completion of the rights issue on 12 May 2025, with gross proceeds of approximately HK\$13,684,000. The net proceeds of the rights issue was approximately HK\$13,580,000, net of directly attributable cost of approximately HK\$104,000. Approximately HK\$13,684,000 was credited to share capital while approximately HK\$104,000 was debited to share premium of the Company upon the completion.

Details are set out in the Company's announcements dated 19 March 2025, 25 April 2025 and 12 May 2025 and the Company's prospectus dated 8 April 2025.

30. RESERVES

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its Articles of Association in paying distributions or dividends to equity shareholders. No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the material accounting policy information as set out in note 2. The amount will either be transferred to the share premium account where the share options are exercised, or be transferred to accumulated losses where the share options expired or are forfeited.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an entity with functional currency other than Hong Kong dollars. The reserve is dealt with in accordance with the material accounting policy information as set out in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

30. RESERVES (CONTINUED)

(iv) Other reserve

Other reserve represents the difference between the nominal value of the Company's shares issued and the nominal value of the share capital of Pacific Legend Development Limited ("**Pacific Legend Development**") and Deep Blue Living Limited ("**Deep Blue**") acquired pursuant to a reorganisation in connection with and completed prior to the listing of the Company's shares on GEM of the Stock Exchange on 18 July 2018 (the "**Reorganisation**"). Pursuant to the Reorganisation, the Company issued 499 ordinary shares to the then shareholders of Pacific Legend Development on 28 December 2017 in consideration of acquiring their equity interests held in Pacific Legend Development, and 346 ordinary shares on 11 January 2018 to the then shareholders of Deep Blue in consideration of acquiring their equity interests held in Deep Blue.

31. DIVIDEND

No dividend was paid or proposed during the eighteen months ended 30 June 2025, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2023: nil).

32. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior reporting period.

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Hong Kong Companies Ordinance.

The externally imposed capital requirements for the Group is to maintain the public float of at least 25% of the shares of the Company for its listing on GEM of the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolution of the shareholders of the Company on 19 June 2018, the Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of directors of the Company may at its discretion grant options to full-time or part-time employees, executive directors, non-executive directors and independent non-executive directors, consultants or advisers of the Group. The offer of a grant of share options may be accepted by the grantee within 28 days from the date of the offer, upon payment of HK\$1 by way of consideration for the grant. Each share option gives the holder of the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the issued share capital of the Company from time to time. In addition, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 100,000,000 shares in the Company, being the scheme mandate limit. The board of directors of the Company may seek approval by the shareholders of the Company in general meeting to renew the scheme mandate limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme and other schemes (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

The exercise price of share options is the highest of (i) the nominal value of the shares; (ii) the closing price of the shares on the Stock Exchange on the date of offer; and (iii) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption of the Share Option Scheme which is 19 June 2018.

During the eighteen month ended 30 June 2025, 9,600,000 share options have been granted, comprised of (i) 1,640,000 share options granted to the executive directors of the Company; (ii) 1,230,000 share options granted to the independent non-executive directors of the Company; and (iii) 6,730,000 share options granted to the employees of the Group. The vesting period of all share options was from 13 June 2025 to 12 June 2026 while the exercisable period of all share options was from 13 June 2026 to 12 June 2027. Share-based payment expense of approximately HK\$35,000 (year ended 31 December 2023: nil), comprising of (i) share-based payment expense included in directors' emoluments of approximately HK\$7,000 (Note 9(a)) (year ended 31 December 2023: nil); and (ii) share-based payment expense for other staff of approximately HK\$28,000 (year ended 31 December 2023: nil), was recognised during the eighteen months ended 30 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

As at 30 June 2025, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 9,600,000 (31 December 2023: nil), representing 2.3% (31 December 2023: nil) of the outstanding shares of the Company in issue at that date as if exercised immediately.

As at 30 June 2025, the number of share options available for grant under the Share Option Scheme was nil (31 December 2023: 10,000,000), representing 0% (31 December 2023: 5.3%) of the outstanding shares of the Company as if exercised immediately.

No share options were exercised, lapsed or forfeited during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

Details of the share options and its movement are set out below:

Name of category/ participant	Outstanding as at 1 January 2023, 31 December 2023 and 1 January 2024	Granted during the period	Exercised or forfeited during the period	Outstanding as at 30 June 2025	Date of grant	Exercisable period	Exercise price (HK\$)
Executive directors							
WONG Wing Man	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
WONG Sui Chi	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
LAW Sai Kit	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
LAM Chun Him	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
Independent non-executive directors							
SO Alan Wai Shing	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
LEE Kwong Ming	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
CHAN Kin Sun	–	410,000	–	410,000	13 June 2025	13 June 2026– 12 June 2027	0.166
Employees							
In aggregate	–	6,730,000	–	6,730,000	13 June 2025	13 June 2026– 12 June 2027	0.166
Total	–	<u>9,600,000</u>	–	<u>9,600,000</u>			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

No share options were exercisable as at 30 June 2025 and 31 December 2023.

The fair value of share options is determined at the date of grant using the binomial option pricing model by an independent professional valuer and the following assumptions were used to calculate the fair value of share options:

Date of grant	13 June 2025
Fair value of share options	
— directors	HK\$210,000
— employees	HK\$479,000
Fair value per each share option	
— directors	HK\$0.0731
— employees	HK\$0.0711
Share price at grant date	0.146
Exercise price	0.166
Risk-free rate	1.83%
Expected volatility	103%
Expected dividend yield	—
Option life	2 years
Early exercise behaviour	
— directors	280%
— employees	220%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The fair value of share options is subject to (i) subjectivity and uncertainty relating to the assumptions to which such values are subject; and (ii) limitation of the model used to estimate such values. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$'000	Interest- bearing bank and other borrowings HK\$'000	Total HK\$'000
At 1 January 2023	21,369	7,667	29,036
Financing cash (outflows)/inflows:			
Capital element of lease rentals paid	(15,648)	–	(15,648)
Interest element of lease rentals paid	(1,797)	–	(1,797)
Bank and other borrowings raised	–	13,657	13,657
Repayment of bank and other borrowings	–	(10,515)	(10,515)
Interest on bank and other borrowings paid	–	(1,053)	(1,053)
	(17,445)	2,089	(15,356)
Non-cash changes:			
New leases entered	12,937	–	12,937
Reclassify to liabilities held for sale (Note 24)	(388)	–	(388)
Acquisition of subsidiaries (Note 37(d))	–	838	838
Interest expenses (Note 6)	1,797	1,053	2,850
Exchange realignment	3	(2)	1
	14,349	1,889	16,238
At 31 December 2023 and 1 January 2024	18,273	11,645	29,918
Financing cash (outflows)/inflows:			
Capital element of lease rentals paid	(18,026)	–	(18,026)
Interest element of lease rentals paid	(1,772)	–	(1,772)
Bank and other borrowings raised	–	15,279	15,279
Repayment of bank and other borrowings	–	(8,379)	(8,379)
Interest on bank and other borrowings paid	–	(2,240)	(2,240)
	(19,798)	4,660	(15,138)
Non-cash changes:			
New leases entered	5,134	–	5,134
Interest expenses (Note 6)	1,772	2,240	4,012
Exchange realignment	140	34	174
	7,046	2,274	9,320
At 30 June 2025	5,521	18,579	24,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

35. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Delivery charge and manpower support paid to a related company: Winford	2,891	4,466
Sales of home furniture and accessories to Mr. John Warren McLennan (the executive director of the Company who retired on 28 June 2024)	–	75
Ms. Fiona Lai Yin Mok (the executive director of the Company who resigned on 13 March 2023)	–	8

The above transactions were determined at rates agreed between the Group and the related parties.

Compensation to key management personnel

The remuneration of executive directors of the Company, being the key management personnel of the Group, are disclosed in Note 9(a) and summarised as below:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Short-term benefits	12,846	5,173
Post-employment benefits	36	39
Share-based payment expenses	4	–
	12,886	5,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial instruments

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Financial assets at FVTPL		
— financial assets at FVTPL	<u>20,206</u>	<u>3,000</u>
Financial assets at amortised cost		
— finance lease receivables	7,646	3,987
— trade and other receivables	48,169	58,374
— loan receivables	—	2,792
— cash and cash equivalents	<u>4,926</u>	<u>23,408</u>
	<u>60,741</u>	<u>88,561</u>
	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Financial liabilities at amortised cost		
— trade and other payables	25,155	25,892
— interest bearing bank and other borrowings	<u>18,579</u>	<u>11,645</u>
	<u>43,734</u>	<u>37,537</u>

(b) Financial risk management

The Group's major financial instruments include financial assets at FVTPL, finance lease receivables, trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables and interest bearing bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(i) foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases in respect of their functional currency, which expose the Group to foreign currency risk. The mainly foreign currencies of the Group are Great British Pound ("GBP"), United States dollars ("US\$") and Remninbi ("RMB"), which were arising from the sales and purchases from the subsidiaries of the Company incorporated in the UAE.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The following table details the Group's exposure to the foreign currencies, which denominated in currencies other than the functional currency of the entity to which they relate, at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities. For presentation purpose, the amount of the exposure was presented in HK\$, translated using the spot rate at the end of each reporting period.

	Exposure to foreign currencies					
	As at 30 June 2025			As at 31 December 2023		
	GBP HK\$'000	US\$ HK\$'000	RMB HK\$'000	GBP HK\$'000	US\$ HK\$'000	RMB HK\$'000
Trade and other receivables	-	6,824	-	41	20,289	1,188
Cash and cash equivalents	-	2,149	18	525	27	19
Trade and other payables	-	-	-	(15)	-	(81)
	<u>-</u>	<u>8,973</u>	<u>18</u>	<u>551</u>	<u>20,316</u>	<u>1,126</u>

The following table details the Group's sensitivity to a 5% (year ended 31 December 2023: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (year ended 31 December 2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (31 December 2023: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss before income tax where foreign currencies strengthen 5% (31 December 2023: 5%) against HK\$. A negative number below indicates an increase in loss before income tax where foreign currencies weaken 5% (31 December 2023: 5%) against HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(i) foreign currency risk (Continued)

	For the eighteen months ended 30 June 2025		For the year ended 31 December 2023	
	Increase/ (decrease) in foreign exchange rate %	Effect on loss before tax HK\$'000	Increase/ (decrease) in foreign exchange rate %	Effect on loss before tax HK\$'000
GBP	5 (5)	– –	5 (5)	28 (28)
US\$	5 (5)	449 (449)	5 (5)	1,016 (1,016)
RMB	5 (5)	1 (1)	5 (5)	56 (56)

The analysis is performed on the same basis for the eighteen months ended 30 June 2025 with the year ended 31 December 2023.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables, loan receivables and interest bearing bank and other borrowings. The Group aims at keeping borrowings at variable rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Except as stated above, the Group does not have other significant interest-bearing financial assets and liabilities at the end of the reporting period, its income and operating cash flows are substantially independent of changes in market interest rates. Sensitivity analysis on cash flow interest rate risk has not been presented as the reasonably possible changes in market interest rate will not have significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong classified as financial assets at FVTPL. For listed equity securities in Hong Kong measured at FVTPL, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective equity securities had been 5% (year ended 31 December 2023: 5%) higher/lower, the loss before income tax for the eighteen months ended 30 June 2025 would decrease/increase by approximately HK\$10,000 (year ended 31 December 2023: Nil) as a result of the fair value changes of listed equity securities in Hong Kong classified as financial assets at FVTPL.

(iv) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 30 June 2025, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from finance lease receivables, trade and other receivables, loan receivables and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk on finance lease receivables is limited because the deposits for a certain period of months are required to prior to commencement of leases with collaterals of the leased assets. The management of the Group would make periodic collective assessment of the recoverability of finance lease receivables based on historical credit loss experience. Other monitoring procedures are included as to recover overdue debts. In this regard, the credit risk on finance lease receivables is considered to be low. As at 30 June 2025 and 31 December 2023, the allowance for ECLs on finance lease receivables was approximately HK\$11,000 and no provision for allowance for ECLs has been recognised during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Credit risk (Continued)

Trade receivables and contract assets

The Group's retail sales are usually paid in cash or via major credit/debit cards. In respect of the Group's corporate and project customers where credit periods are granted, individual credit evaluations are performed. In addition, finance lease receivables, trade receivables and contract assets are monitored on an on-going basis to ensure that follow-up actions are taken and adequate allowance for ECLs is made for the amounts considered to be irrecoverable.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for ECLs at lifetime ECLs. The Group determines the ECLs using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The following table provides information about the Group's exposure to credit risk and allowance for ECLs on trade receivables and contract assets.

As at 30 June 2025				
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Current (not past due)	–	17,412	–	17,412
1–30 days past due	–	8,673	–	8,673
31–90 days past due	–	1,397	–	1,397
91 days to 1 year past due	1.31	2,527	33	2,494
More than 1 year past due	93.53	2,689	2,515	174
		<u>32,698</u>	<u>2,548</u>	<u>30,150</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Credit risk (Continued)

Trade receivables and contract assets (Continued)

	As at 31 December 2023			
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Current (not past due)	–	15,119	–	15,119
1–30 days past due	–	14,839	–	14,839
31–90 days past due	–	1,614	–	1,614
91 days to 1 year past due	1.27	8,668	110	8,558
More than 1 year past due	96.53	2,332	2,251	81
		<u>42,572</u>	<u>2,361</u>	<u>40,211</u>

The movement of the provision for allowance for ECL on trade receivables and contract assets is as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
As at 1 January 2023	3,463	840	4,303
Provision for/(reversal of) allowance for ECLs	4,292	(840)	3,452
Write-off	(133)	–	(133)
Reclassified to assets held for sale (Note 24)	(5,218)	–	(5,218)
Exchange realignment	(43)	–	(43)
As at 31 December 2023 and 1 January 2024	<u>2,361</u>	<u>–</u>	<u>2,361</u>
Provision for/(reversal of) allowance for ECLs	<u>187</u>	<u>–</u>	<u>187</u>
As at 30 June 2025	<u>2,548</u>	<u>–</u>	<u>2,548</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Credit risk (Continued)

Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available); and
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Description	Basis for recognised ECLs
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired	12-month ECLs
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired	Lifetime ECLs — not credit-impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECLs — credit-impaired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Credit risk (Continued)

Other receivables (Continued)

The table below details the credit quality of the Group's other receivables, as well as the Group's maximum exposure to credit risk by categories.

				As at 30 June 2025		
	Note	Category	12-month or Lifetime ECL	Gross carrying amount <i>HK\$'000</i>	Allowance for ECL <i>HK\$'000</i>	Net carrying amount <i>HK\$'000</i>
Other receivables	22	Stage 1	12-month ECLs	8,201	125	8,076
		Stage 2	Lifetime ECLs – not credit-impaired	17,211	4,662	12,549
				25,412	4,787	20,625
				As at 31 December 2023		
	Note	Category	12-month or Lifetime ECL	Gross carrying amount HK\$'000	Allowance for ECL HK\$'000	Net carrying amount HK\$'000
Other receivables	22	Stage 1	12-month ECLs	7,377	115	7,262
		Stage 2	Lifetime ECLs – not credit-impaired	16,803	3,744	13,059
				24,180	3,859	20,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Credit risk (Continued)

Other receivables (Continued)

The movement of the provision for allowance for ECL on other receivables by category is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Total HK\$'000
As at 1 January 2023	115	3,744	3,859
Provision for allowance for ECLs	–	6,200	6,200
Eliminated upon disposal of subsidiaries	–	(6,200)	(6,200)
As at 31 December 2023 and 1 January 2024	115	3,744	3,859
Provision for allowance for ECLs	10	918	928
As at 30 June 2025	125	4,662	4,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(v) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

At 30 June 2025

	On demand or less than 1 year HK\$'000	1 year – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade and other payables	25,155	–	25,155	25,155
Interest-bearing bank and other borrowings	18,947	–	18,947	18,579
Lease liabilities	6,021	918	6,939	5,521
	<u>50,123</u>	<u>918</u>	<u>51,041</u>	<u>49,255</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial risk management (Continued)

(v) Liquidity risk (Continued)

At 31 December 2023

	On demand or less than 1 year HK\$'000	1 year – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade and other payables	25,892	–	25,892	25,892
Interest-bearing bank and other borrowings	11,811	–	11,811	11,645
Lease liabilities	13,494	7,738	21,232	18,273
	<u>51,197</u>	<u>7,738</u>	<u>58,935</u>	<u>55,810</u>

As at 30 June 2025, bank borrowing with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. The aggregate undiscounted principal amounts of this borrowing amounted to approximately HK\$3,300,000 (31 December 2023: HK\$8,645,000). Taking into account the Group’s consolidated financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

(c) Fair value measurement

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group’s accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurement (Continued)

At 30 June 2025

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
Investment in an unlisted fund categorised under level 3	-	-	-	-
Investments in unlisted equity securities	-	-	20,000	20,000
Investment in listed equity securities in Hong Kong	206	-	-	206
	<u>206</u>	<u>-</u>	<u>20,000</u>	<u>20,206</u>

At 31 December 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
Investment in an unlisted fund categorised under level 3	-	-	3,000	3,000
	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>

There were no transfers between level 1 and 2 of fair value hierarchy during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurement (Continued)

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2025	31 December 2023			
		HK\$'000	HK\$'000			
Unlisted fund	Level 3	–	3,000	Adjusted net asset method	Quoted price in the fund's statements	The higher the quoted price in the fund's statements, the higher of the fair value
Unlisted equity securities	Level 3	20,000	–	Market Approach – direct comparison method	Price-to-equity Ratio: 7.43%	The higher the price-to-equity ratio, the higher of the fair value
Listed equity securities in Hong Kong	Level 1	206	–	Quoted bid price in an active market	N/A	N/A

For recurring fair value measurements categorised within level 3 of the fair value hierarchy, if the unobservable inputs to the valuation model were 5% higher/lower (31 December 2023: 5%) while all the other variables were held constant, the carrying amount of the unlisted fund and unlisted equity securities would increase/decrease by approximately HK\$1,000,000 (31 December 2023: HK\$150,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurement (Continued)

Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of level 3 fair value measurements of financial assets on recurring basis:

	Unlisted fund HK\$'000	Unlisted equity securities HK\$'000	Total HK\$'000
At 1 January 2023	5,938	–	5,938
Fair value losses	(2,938)	–	(2,938)
At 31 December 2023 and 1 January 2024	3,000	–	3,000
Purchases	–	4,000	4,000
Fair value (losses)/gains	(3,000)	16,000	13,000
At 30 June 2025	–	20,000	20,000

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially differ from their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES

For the eighteen months ended 30 June 2025

(a) Acquisition of HK Taichen

As disclosed in note 15, the Group completed the acquisition of further 40% equity interest in HK Taichen on 7 October 2024, in which the Group held 80% equity interest in HK Taichen and HK Taichen became an indirect non-wholly owned subsidiary of the Company. Immediately before the above-mentioned acquisition, HK Taichen principally engaged into the investment holdings and held 50% equity interest in Huizhou Taichen. The acquisition has been accounted for acquisition of assets.

Consideration transferred

	<i>HK\$'000</i>
Cash consideration	4,021
Fair value of 2,900,000 ordinary shares of the Company at HK\$0.165 each	479
	<u>4,500</u>

As part of the consideration for the acquisition of HK Taichen, 2,900,000 ordinary shares of the Company with par value of HK\$0.1 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to approximately HK\$479,000. Approximately HK\$290,000 and HK\$189,000 have been credited to share capital and share premium respectively during the eighteen months ended 30 June 2025.

In the opinion of the directors of the Company with reference to the fair value valuation of the contingent consideration receivables as mentioned in note 15(b), the directors of the Company considered that the unfulfillment of the Guaranteed Profit was remote and the fair value of the contingent consideration receivables was insignificant to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the eighteen months ended 30 June 2025 (Continued)

(a) Acquisition of HK Taichen (Continued)

Assets acquired and liabilities recognised of HK Taichen at the date of acquisition are as follows:

	<i>HK\$'000</i>
Interests in associates	13,459
Amount due to a shareholder	<u>(4,624)</u>
Net assets	<u><u>8,835</u></u>

The non-controlling interests arising from the above-mentioned acquisition is calculated as follows:

	<i>HK\$'000</i>
Net assets of HK Taichen	8,835
Shareholding of non-controlling interests	<u>20%</u>
	<u><u>1,767</u></u>

Net cash outflows on acquisition of HK Taichen

	<i>HK\$'000</i>
Cash consideration paid	<u><u>4,021</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2023

(b) Acquisition of Brand Consultant Management Limited ("Brand Consultant")

On 18 May 2023, Miracle Ace International Limited ("Miracle Ace"), a direct wholly owned subsidiary of the Company, acquired 75.02% equity interest in Brand Consultant from an independent third party of the Group for a cash consideration of HK\$3,000,000. Brand Consultant is principally engaged in provision of consultancy services. The acquisition has been completed on 18 May 2023. Immediately after the above-mentioned acquisition, Brand Consultant became an indirect non-wholly owned subsidiary of the Company and such acquisition has been accounted for as an acquisition of business using the acquisition method.

Consideration transferred

	<i>HK\$'000</i>
Cash consideration	3,000

Acquisition-related costs amounting to approximately HK\$76,000 have been excluded from the consideration transferred but recognised directly as an expenses during the year ended 31 December 2023 within the "administrative and other operating expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised of Brand Consultant at the date of acquisition are as follows:

	<i>HK\$'000</i>
Other receivables	3,744
Cash and cash equivalents	269
Other payables	(13)
Net assets	4,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2023 (Continued)

(b) Acquisition of Brand Consultant Management Limited (Continued)

The non-controlling interests arising from the above-mentioned acquisition is calculated as follows:

	<i>HK\$'000</i>
Net assets of Brand Consultant	4,000
Shareholding of non-controlling interests	24.98%
	<u>1,000</u>

Goodwill arising on acquisition of Brand Consultant:

	<i>HK\$'000</i>
Consideration transferred	3,000
Plus: non-controlling interests	1,000
Less: net assets acquired	<u>(4,000)</u>
Goodwill arising on acquisition	<u>—</u>

Net cash outflows on acquisition of Brand Consultant:

	<i>HK\$'000</i>
Cash consideration paid	3,000
Less: cash and cash equivalents acquired	<u>(269)</u>
	<u>2,731</u>

The acquired business contributed revenue of approximately HK\$801,000 and net profit before tax of approximately HK\$453,000 to the Group for the period from 18 May 2023 to 31 December 2023. If the acquisition had occurred on 1 January 2023, the revenue and loss before income tax of the Group would have been approximately HK\$250,566,000 and HK\$35,843,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and loss before income tax of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2023 (Continued)

(c) Acquisition of Shine Key

On 20 November 2023, Miracle Ace entered into a sale and purchase agreement with an independent third party of the Group to acquire 99.5% equity interest in Shine Key for a cash consideration of approximately HK\$1,990,000. Shine Key is principally engaged into the investment property holding business in Hong Kong. The acquisition has been completed on 20 November 2023. Immediately after the above-mentioned acquisition, Shine Key became an indirect non-wholly owned subsidiary of the Company and such acquisition had been accounted for as acquisition of assets.

Consideration transferred

	<i>HK\$'000</i>
Cash consideration	1,990

Assets acquired and liabilities recognised of Shine Key at the date of acquisition are as follows:

	<i>HK\$'000</i>
Investment property (Note 14)	1,839
Other receivables	1,243
Loan receivables	838
Other payables	(1,930)
Net assets	1,990

In the opinion of the directors of the Company, the non-controlling interest arising from the acquisition of Shine Key was insignificant to the consolidated financial statements.

Net cash outflows on acquisition of Shine Key

	<i>HK\$'000</i>
Cash consideration paid	1,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2023 (Continued)

(d) Acquisition of Mega Champion

On 12 December 2023, Miracle Ace entered into a sale and purchase agreement with an independent third party of the Group to acquire 99.6% equity interest in Mega Champion for a cash consideration of approximately HK\$2,590,000. Mega Champion is principally engaged into the investment property holding business in Hong Kong. The acquisition has been completed on 12 December 2023. Immediately after the above-mentioned acquisition, Mega Champion became an indirect non-wholly owned subsidiary of the Company and such acquisition had been accounted for as acquisition of assets.

Consideration transferred

	<i>HK\$'000</i>
Cash consideration	2,590

Assets acquired and liabilities recognised of Mega Champion at the date of acquisition are as follows:

	<i>HK\$'000</i>
Investment property (Note 14)	2,230
Other receivables	2,595
Other payables	(1,397)
Interest-bearing bank and other borrowings	(838)
Net assets	2,590

In the opinion of the directors of the Company, the non-controlling interest arising from the acquisition of Mega Champion was insignificant to the consolidated financial statements.

Net cash outflows on acquisition of Mega Champion

	<i>HK\$'000</i>
Cash consideration paid	2,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2023 (Continued)

(e) Net cash outflows from acquisition of subsidiaries

The net cash outflows from acquisition of subsidiaries are presented as follows:

	Eighteen months ended 30 June 2025 <i>HK\$'000</i>	Year ended 31 December 2023 <i>HK\$'000</i>
Net cash outflows from acquisition of HK Taichen	4,021	–
Net cash outflows from acquisition of Brand Consultant	–	2,731
Net cash outflows from acquisition of Shine Key	–	1,990
Net cash outflows from acquisition of Mega Champion	–	2,590
	<u>4,021</u>	<u>7,311</u>

38. DISPOSAL OF SUBSIDIARIES

For the eighteen months ended 30 June 2025

(a) Disposal of Shine Key and Mega Champion

As disclosed in note 14, on 21 January 2025, Miracle Ace disposed of entire 99.5% equity interest in Shine Key and 99.6% equity interest in Mega Champion to an independent third party to the Group for an aggregate cash consideration of HK\$2,000,000. Immediate before the completion of the Disposal, Shine Key and Mega Champion are principally engaged into the investment property holding business in Hong Kong. The Disposal was completed on 21 January 2025. Immediately after the Disposal, Shine Key and Mega Champion ceased to be indirect non-wholly owned subsidiaries of the Company.

Details are set out in the Company's announcement dated 21 January 2025.

Consideration received

	<i>HK\$'000</i>
Cash consideration	<u>2,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the eighteen months ended 30 June 2025 (Continued)

(a) Disposal of Shine Key and Mega Champion (Continued)

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Investment properties (Note 14)	2,187
Other receivables	239
Cash and cash equivalents	190
Other payables	(111)
Tax payables	(326)
Deferred tax liabilities	(69)
Net assets	<u>2,110</u>

Loss on disposal of Shine Key and Mega Champion:

	<i>HK\$'000</i>
Consideration received	2,000
Net assets disposed of	(2,110)
Loss on disposal of Shine Key and Mega Champion	<u>(110)</u>

Net cash inflows on disposal of Shine Key and Mega Champion:

	<i>HK\$'000</i>
Cash consideration received	2,000
Less: cash and cash equivalents disposed of	(190)
	<u>1,810</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the eighteen months ended 30 June 2025 (Continued)

(b) Disposal of the Disposal Subsidiaries

As disclosed in note 24, the Group completed the disposal of entire 100% equity interest in the Disposal Subsidiaries on 14 March 2024 for a cash consideration of HK\$10,000.

Consideration received

	<i>HK\$'000</i>
Cash consideration	10

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Inventories	23
Trade and other receivables	1,487
Cash and cash equivalents	287
Trade and other payables	(1,011)
Contract liabilities	(286)
Lease liabilities	(287)
Tax payables	(894)
Net liabilities	(681)

Loss on disposal of the Disposal Subsidiaries:

	<i>HK\$'000</i>
Consideration received	10
Net liabilities disposed of	681
Cumulative exchange reserve of the Disposal Subsidiaries reclassified from equity to profit or loss on loss of control of the Disposal Subsidiaries	1,781
Gain on disposal of the Disposal Subsidiaries	2,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the eighteen months ended 30 June 2025 (Continued)

(b) Disposal of the Disposal Subsidiaries (Continued)

Net cash outflows on disposal of the Disposal Subsidiaries:

	<i>HK\$'000</i>
Cash consideration received	10
Less: cash and cash equivalents disposed of	<u>(287)</u>
	<u><u>(277)</u></u>

(c) Disposal of other subsidiaries

During the eighteen months ended 30 June 2025, the Group completed the disposal of entire 60% equity interest in Indigo Overseas Projects Company Limited (“Indigo Overseas BVI”), an indirect non-wholly owned subsidiary of the Company which was incorporated in the British Virgin Islands (the “BVI”), at a cash consideration of HK\$8. Immediate before the above-mentioned disposal, Indigo Overseas BVI held entire 100% equity interest in Indigo (Overseas Projects) Company Limited (“Indigo Overseas HK”) (together with Indigo Overseas BVI collectively referred to as the “Indigo Overseas Group”), a company incorporated in Hong Kong with principal activities of design, decoration and renovation services. Such disposal was completed on 25 March 2024.

In the opinion of the directors of the Company, the assets and liabilities of the Indigo Overseas Group and related impact of the disposal were insignificant to the consolidated financial statements.

During the eighteen months ended 30 June 2025, the Group completed the disposal of entire 100% equity interest in Mega Ocean Limited and Ocean & Partners Limited, which were incorporated in Hong Kong, at a cash consideration of HK\$2. Additionally, during the eighteen months ended 30 June 2025, the Group completed the disposal of entire 100% equity interest in Vital Access Limited, which was incorporated in the BVI, at a cash consideration of HK\$8. Immediately before the above-mentioned disposals, Mega Ocean Limited, Ocean & Partners Limited and Vital Access Limited were inactive. Such disposals were completed on 25 March 2024.

In the opinion of the directors of the Company, the assets and liabilities of Mega Ocean Limited, Ocean & Partners Limited and Vital Access Limited and related impact of the disposals were insignificant to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the eighteen months ended 30 June 2025 (Continued)

(d) Gain on disposal of subsidiaries and net cash inflows on disposal of subsidiaries

Gain on disposal of subsidiaries, net, was presented as follows:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Loss on disposal of Shine Key and Mega Champion	(110)	–
Gain on disposal of the Disposal Subsidiaries	2,472	–
Gain on disposal of subsidiaries, net (Note 5)	<u>2,362</u>	<u>–</u>

Net cash inflows on disposal of subsidiaries were presented as follows:

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Net cash inflows on disposal of Shine Key and Mega Champion	1,810	–
Net cash outflows on disposal of the Disposal Subsidiaries	(277)	–
	<u>1,533</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment and principal place of operations	Issued and paid up capital	Equity interest attributable to the Company		Principal activities
			30 June 2025	31 December 2023	
Directly held					
Raeford Holdings Limited	The BVI	US\$100	100%	100%	Investment holding
Miracle Ace	The BVI	US\$1	100%	100%	Investment holding
JF (Greater Bay) Group Company Limited	The BVI	US\$1	100%	100%	Investment holding
Golden Capital (International) Limited (Note (i))	Hong Kong	HK\$100	100%	–	Investment holding
Indirectly held					
Pacific Legend Development Limited (“Pacific Legend Development”)	Hong Kong	HK\$10,000	100%	100%	Investment holding
Indigo Living Limited	Hong Kong	HK\$22,900,000	100%	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Indigo LLC (“Indigo Dubai”) (Note (iii))	The UAE	AED300,000	97%	97%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Major Strategic Limited (Note (ii))	Samoa	US\$1	100%	–	Investment holding
Comust-Tech Consultancy Limited (Note (i))	Hong Kong	HK\$50,000	100%	–	Provision of information technology consultancy services
Indigo Living Design Limited (Note (iii))	Hong Kong	HK\$10,000	100%	–	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Indigo Living & Build Company Limited (Note (ii))	Hong Kong	HK\$1	100%	–	Inactive
Hong Kong Taichen (Note 37(a))	Hong Kong	HK\$1,000	80%	N/A	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment and principal place of operations	Issued and paid up capital	Equity interest attributable to the Company		Principal activities
			30 June 2025	31 December 2023	
Ocean Blue Living Limited	Hong Kong	HK\$1,000	100%	100%	Provision of franchising services
凱信信息諮詢顧問(深圳)有限公司 (Notes (ii) & (v))	The PRC	RMB793,000	100%	–	Provision of management services
Miracle Ace Company Limited (Note (iv))	Hong Kong	HK\$10,000	100%	100%	Investment holding
Brand Consultant Management Limited (Note 37(b))	Hong Kong	HK\$1,001	75.02%	75.02%	Provision of interior design services
GPD Investment Company Limited (Note (iv))	Hong Kong	US\$10,000	100%	100%	Investment holding
Shine Key (Notes 37(c) & 38(a))	Hong Kong	HK\$2,000,000	–	99.5%	Property investment
Mega Champion (Notes 37(d) & 38(a))	Hong Kong	HK\$2,100,000	–	99.6%	Property investment
Deep Ocean SPV Limited (Note (vi))	The UAE	US\$1,000	100%	100%	Investment holding
Deep Blue (Note 38(b))	Hong Kong	HK\$779,000	–	100%	Investment holding
Indigo China (Notes 38(b) & (v))	The PRC	RMB4,310,000	–	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Indigo Shanghai (Notes 38(b) & (v))	The PRC	RMB1,000,000	–	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Indigo Overseas BVI (Note 38(c))	The BVI	US\$10,000	–	60%	Investment holding
Indigo Overseas HK (Note 38(c))	Hong Kong	HK\$10,000	–	60%	Investment holding
Mega Ocean Limited (Note 38(c))	Hong Kong	HK\$1	–	100%	Inactive
Ocean & Partners Limited (Note 38(c))	Hong Kong	HK\$1	–	100%	Inactive
Vital Access Limited (Note 38(c))	The BVI	US\$1	–	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

None of the subsidiaries had issued any debt securities during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

Notes:

- (i) Acquired during the eighteen months ended 30 June 2025. In the opinion of the directors of the Company, such acquisition was insignificant to the consolidated financial statements.
- (ii) Incorporated/established during the eighteen months ended 30 June 2025.
- (iii) In prior years, Pacific Legend Development was the legal owner of Indigo Dubai with 49% equity interest held by Pacific Legend Development. The notarised memorandum of association of Indigo Dubai provides that Pacific Legend Development has the sole right to control, manage and direct the financial and operating policies of Indigo Dubai and is entitled to 80% of Indigo Dubai's profits. Through the contractual arrangements, Pacific Legend Development is also entitled to the remaining 20% of Indigo Dubai's profits. Accordingly, Indigo Dubai has been accounted for as a wholly owned subsidiary of the Company. During the year ended 31 December 2023, certain foreign ownership restrictions under the UAE law was uplifted. Accordingly, the Group could legally own more than 49% equity interest in Indigo Dubai.
- (iv) Incorporated during the year ended 31 December 2023.
- (v) Registered in the form of wholly foreign owned subsidiary with limited liability in the PRC.
- (vi) Entire equity interest in Deep Ocean SPV Limited is held by a corporate service provider in the UAE. Pacific Legend Development, through contractual arrangements with the corporate service provider, owned 100% control and economic interest over Deep Ocean SPV Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 30 June 2025 HK\$'000	As at 31 December 2023 HK\$'000
Non-current asset		
Investments in subsidiaries	3,014	3,014
Current assets		
Other receivables and prepayments	182	–
Amounts due from subsidiaries	69,941	31,195
Financial assets at FVTPL	206	–
Cash and cash equivalents	2,011	224
	72,340	31,419
Current liabilities		
Other payables	5,083	1,433
Interest-bearing other borrowings	15,279	3,000
	20,362	4,433
Net current assets	51,978	26,986
NET ASSETS	54,992	30,000
Capital and reserves		
Share capital	41,054	19,008
Reserves	13,938	10,992
TOTAL EQUITY	54,992	30,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium (Note 30(i)) HK\$'000	Share option reserve (Note 30(ii)) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	87,982	–	(72,943)	15,039
Loss and total comprehensive expense for the year	–	–	(31,013)	(31,013)
Issue of shares upon placing (Note 29)	27,637	–	–	27,637
Cost of Issue of shares upon placing (Note 29)	(671)	–	–	(671)
At 31 December 2023 and 1 January 2024	114,948	–	(103,956)	10,992
Loss and total comprehensive expense for the period	–	–	(3,846)	(3,846)
Recognition of share-based payment (Note 33)	–	35	–	35
Issue of shares upon acquisition of a subsidiary (Note 37(a))	189	–	–	189
Issue of shares upon placing (Note 29)	6,957	–	–	6,957
Cost of issue of shares upon placing (Note 29)	(285)	–	–	(285)
Cost of issue of shares upon rights issue (Note 29)	(104)	–	–	(104)
At 30 June 2025	121,705	35	(107,802)	13,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2025

41. EVENT AFTER THE REPORTING PERIOD

On 15 August 2025, the directors of the Company proposed the change of the name of the Company from Pacific Legend Group Limited to Zhongjin Group Holdings Limited and the adoption of the Chinese name as 中經集團控股有限公司 as the secondary name of the Company (the “**Proposed Changes**”). The Proposed Changes are subject to the passing of a special resolution by the shareholders of the Company and the approval granted from the Registrar of Companies in the Cayman Islands. At the date of approval of these consolidated financial statements, the Proposed Changes are not effective.

Details are set out in the Company’s announcement dated 15 August 2025.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial periods, extracted from this report and previous annual reports, is as follows:

	Eighteen months ended 30 June 2025 HK\$'000	2023 HK\$'000	Year ended 31 December 2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
RESULTS					
Revenue	<u>383,477</u>	<u>250,566</u>	<u>204,038</u>	<u>244,349</u>	<u>219,859</u>
Loss before income tax	<u>(4,729)</u>	<u>(35,843)</u>	<u>(47,886)</u>	<u>(28,267)</u>	<u>(43,848)</u>
Income tax (expense)/credit	<u>(513)</u>	<u>(69)</u>	<u>(2)</u>	<u>101</u>	<u>18</u>
Loss for the period/year	<u><u>(5,242)</u></u>	<u><u>(35,912)</u></u>	<u><u>(47,888)</u></u>	<u><u>(28,166)</u></u>	<u><u>(43,830)</u></u>
Attributable to:					
Owners of the Company	<u>(5,571)</u>	<u>(33,524)</u>	<u>(46,369)</u>	<u>(28,166)</u>	<u>(43,830)</u>
Non-controlling interests	<u>329</u>	<u>(2,388)</u>	<u>(1,519)</u>	<u>–</u>	<u>–</u>
	<u><u>(5,242)</u></u>	<u><u>(35,912)</u></u>	<u><u>(47,888)</u></u>	<u><u>(28,166)</u></u>	<u><u>(43,830)</u></u>
	As at 30 June 2025 HK\$'000	2023 HK\$'000	As at 31 December 2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES					
Total assets	<u>135,665</u>	<u>179,911</u>	<u>129,970</u>	<u>151,313</u>	<u>174,324</u>
Total liabilities	<u>(75,229)</u>	<u>(141,270)</u>	<u>(89,988)</u>	<u>(62,615)</u>	<u>(85,208)</u>
Net assets	<u><u>60,436</u></u>	<u><u>38,641</u></u>	<u><u>39,982</u></u>	<u><u>88,698</u></u>	<u><u>89,116</u></u>
Equity attributable to owners of the Company	<u>56,794</u>	<u>37,095</u>	<u>37,501</u>	<u>84,698</u>	<u>89,116</u>
Non-controlling interests	<u>3,642</u>	<u>1,546</u>	<u>2,481</u>	<u>4,000</u>	<u>–</u>
Total equity	<u><u>60,436</u></u>	<u><u>38,641</u></u>	<u><u>39,982</u></u>	<u><u>88,698</u></u>	<u><u>89,116</u></u>