



百德國際有限公司
Pak Tak International Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 2668



2025 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	5
DIRECTORS AND SENIOR MANAGEMENT PROFILE	20
REPORT OF THE DIRECTORS	23
CORPORATE GOVERNANCE REPORT	34
INDEPENDENT AUDITOR'S REPORT	50
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	53
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	54
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	55
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	57
CONSOLIDATED STATEMENT OF CASH FLOWS	58
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	60
FIVE-YEAR FINANCIAL SUMMARY	146



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Zongchuan (*Chairman & Chief Executive Officer*)
Mr. Liu Weixiong
Mr. Lyu Zhengjun

Non-executive Director

Mr. Hang Chu Kwong

Independent Non-executive Directors

Ms. Chan Ching Yi
Ms. Li Yun
Mr. Li Wubo

AUDIT COMMITTEE

Ms. Chan Ching Yi (*Chairman*)
Ms. Li Yun
Mr. Li Wubo

NOMINATION COMMITTEE

Mr. Wu Zongchuan (*Chairman*)
Ms. Chan Ching Yi
Ms. Li Yun
Mr. Li Wubo

REMUNERATION COMMITTEE

Ms. Chan Ching Yi (*Chairman*)
Mr. Wu Zongchuan
Ms. Li Yun
Mr. Li Wubo

STRATEGIC COMMITTEE

Mr. Wu Zongchuan (*Chairman*)
Mr. Liu Weixiong
Mr. Lyu Zhengjun

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Wu Zongchuan (*Chairman*)
Mr. Liu Weixiong
Mr. Lyu Zhengjun

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Mr. Lyu Zhengjun
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20/F, One Continental
No. 232 Wan Chai Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

DEAR SHAREHOLDERS

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Pak Tak International Limited (the “**Company**”), I present the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025.

In 2025, amid persistent global economic volatility and a complex domestic recovery environment. Despite these headwinds, the Group's total revenue increased by 14.0% to HKD769.2 million (2024: HKD674.8 million), primarily attributed to the full-year consolidation of our iron ore mining and milling operations. However, the Group recorded a loss of HKD241.0 million, largely due to increased expected credit losses on receivables, fair value adjustments on investment properties, and the impact of fixed costs during the capacity-building phase of our mining segment.

Our supply chain business remained a cornerstone of the Group's revenue, contributing HKD456.0 million. While market demand for certain commodities fluctuated, we prioritised risk management and the acceleration of receivable collections.

Our iron ore mining and milling business in Fushun, China, is now one of core business and corporate strategy of the Company. In 2025, this segment generated HKD237.1 million in revenue. The Group is focused on ensuring the long-term stability of this business, including the implementation of mutual guarantee arrangements with industry peers to secure financing and ensure operational continuity. Our objective remains the gradual attainment of the designed production capacity to improve segment margins.

The Group's hotel management and catering services, and property investment segments continued to operate within their respective established frameworks. During the year, these segments faced ongoing pressure from cautious consumer spending and a stagnant real estate market. We maintained a focus on basic operational stability and cost containment in these areas. Revenue from hotel and catering services was recorded at HKD74.9 million, while rental income remained marginal at HKD1.3 million. We continue to monitor the performance of these non-core holdings in light of the Group's broader strategic allocation of resources.

The Board understands that improving the liquidity position of the Group remains the immediate priority of the Company. During the period, significant progress has been made, including the full settlement of certain bank borrowings in early 2026 and ongoing constructive negotiations with China Cinda regarding the restructuring of other liabilities. We are grateful for the continued financial support from the substantial shareholders of the Company, which provides a critical buffer as we rationalise our balance sheet and ensure the Group remains on a required financial basis.

FUTURE OUTLOOK

Looking ahead to 2026, the Group will adopt a highly disciplined approach to capital expenditure and business development. Our priority is to consolidate our existing core businesses and supply chain foundations while exploring targeted opportunities that complement our core mineral resources expertise, such as the potential gold exploration project in Tanzania currently under preliminary review.

We intend to streamline our operations to ensure that management focus and capital are directed towards segments with the highest long-term strategic value. Any potential adjustment to our business portfolio will be conducted with the primary goal of enhancing the Group's financial resilience and comply with all regulatory requirements.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude and appreciation toward all our shareholders, our customers, suppliers and business partners for their support, trust and confidence, and to the management and all our dedicated employees for their efforts and dedication.

Wu Zongchuan

Chairman and Chief Executive Officer

Hong Kong, 30 March 2026

For the year ended 31 December 2025, the principal activities of the Group consists of: (i) supply chain business (including the iron ore mining and milling) (the “**Supply Chain Business**”); (ii) hotel management and catering services (the “**Hotel Management & Catering Services**”); and (iii) property investment (the “**Property Investment**”).

BUSINESS REVIEW

Supply Chain Business

For the year ended 31 December 2025, the performance of the Supply Chain Business faced significant challenges, with revenue slowing down compared to the same period last year. The Supply Chain Business recorded revenue of HKD456.0 million, a decrease of HKD119.9 million from HKD575.9 million in year 2024.

The decline was primarily driven by weaker demand for the core supply chain products and tighter trading conditions in the PRC market, as downstream industries adopted a more cautious procurement approach in response to economic uncertainty. In addition, trade policy related uncertainties, including changes in import and export controls and the rapid change of trade restrictions also weighed on trading volumes and pricing levels, while logistics costs remained relatively high, putting pressure on the profit margin. Furthermore, due to delayed payments from certain customers, the Group recognised additional expected credit loss provisions during the year.

Iron ore mining and milling business (the “Mining Business”)

Despite the revenue decrease in the Supply Chain Business, the Group recorded overall revenue growth, driven by contributions from the Mining Business following the integration of Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司), which was acquired at the end of year 2024.

For the year ended 31 December 2025, the Mining Business recorded revenue of HKD237.1 million and incurred a segment loss of HKD52.6 million in the Mining Business. Such losses were primarily due to the mining capacity and the production capacity not being fully utilised, together with the unfavourable movements in iron ore prices and the impact of relatively high fixed costs. Furthermore, the macro-market environment, including the steel inventory level and strict emission reduction measures, negatively affected the demand for iron ore and thereby impacting the Group’s iron ore business performance.

Despite the above challenges, the combined revenue in Supply Chain Business and the Mining Business increased to HKD693.1 million, with an overall segment loss HKD147.3 million, which included the non-cash items of expected credit loss, impairment losses on goodwill and other non-current assets, depreciation and amortisation, totaling HKD150.3 million.

The Group will continue its efforts to strengthen its credit control measures and continue to regularly review the recoverable amounts of trade receivables and closely monitor collection efforts, making adequate impairment provisions when appropriate. In addition, the Group will focus on releasing the capacity of its Mining Business to effectively fixed costs burden, while seeking new potential customers to diversify revenue streams for its supply chain business in support of long-term sustainable development.

Hotel Management & Catering Services

The Hotel Management & Catering Services segment operated in a more demanding environment in 2025 and recorded revenue of HKD74.9 million, a decrease of HKD21.3 million from HKD96.2 million in 2024. The segment reported a loss of HKD17.3 million, primarily attributable to fair value losses on investment properties of HKD18.4 million, which arose due to declining hotel room rates and continued uncertainty in the tourism market conditions. Excluding this non-cash adjustment, the underlying operations achieved a modest operational profit of HKD1.1 million. Strategic measures, including cost controls, operational refinements and brand-building initiatives, helped maintain stability consistent with performance in the interim period.

The Group continued to strengthen competitiveness through cost controls, enhanced product and service quality, new menu innovations, and targeted promotional events to broaden its customer base. The Group remains committed to steady growth and long-term value creation in the Hotel Management & Catering Services segment.

Property Investment

For the year ended 31 December 2025, the Group's investment properties located in Yunfu, PRC, which generated HKD1.3 million in rental income and recorded the revaluation loss of HKD22.2 million. Due to the overall weak performance of the real estate market, the Group continued to face challenges from revaluation losses on investment properties. The Group will continue leasing out these investment properties to generate rental income, and will consider divesting them to improve the working capital.

FINANCIAL REVIEW

Below is an analysis of the Group's key financial information, including, but not limited to revenue, expenses and loss for the year, which reflected the financial position of the Group's business.

Revenue

For the year ended 31 December 2025, the Group recorded a total revenue of HKD769.2 million, representing an increase of 14.0% as compared with that of the year ended 31 December 2024 of HKD674.8 million. Such increase was mainly attributable to the revenue generated in the Mining Business of HKD237.1 million and partial offset by a decrease in the revenue of Supply Chain Business for the year ended 31 December 2025.

The Supply Chain Business recorded a decrease in revenue from HKD575.9 million for the year ended 31 December 2024 to HKD456.0 million for the year ended 31 December 2025.

The Hotel Management & Catering Services recorded a decrease in revenue from HKD96.2 million for the year ended 31 December 2024 to HKD74.9 million for the year ended 31 December 2025.

The total revenue from Property Investment and other businesses has decreased from HKD2.6 million for the year ended 31 December 2024 to HKD1.3 million.

Other net gains/(losses)

For the year ended 31 December 2025, the Group recorded other net gains of HKD238,000, compared to other net losses of HKD3.0 million for the year ended 31 December 2024. The reduction of net losses was due to the loss on disposal of property, plant and equipment amounted HKD3.1 million recognised in 2024.

Expenses

The Group's direct costs and operating expenses significantly increased by HKD77.5 million from HKD640.8 million for the year ended 31 December 2024 to HKD718.3 million for the year ended 31 December 2025, while administrative expenses increased by HKD63.5 million from HKD48.8 million for the year ended 31 December 2024 to HKD112.3 million for the year ended 31 December 2025. Such an increase in direct costs and operating expenses, and administrative expenses was mainly due to the new business of iron ore mining and milling, which accounted for over 30% of the Group's total revenue for the corresponding period.

The Group recognised an impairment losses on goodwill and other non-current assets of HKD2.8 million and HKD8.2 million respectively, which arose from Mining Business.

The Group's impairment losses under expected credit loss model increased by HKD80.5 million from provision of HKD4.8 million for the year ended 31 December 2024 to provision for HKD85.3 million for the year ended 31 December 2025. Such increase was mainly caused by the delayed payment of outstanding invoices by certain customers in the Supply Chain Business.

The Group's finance cost increased by HKD27.4 million from HKD31.3 million for the year ended 31 December 2024 to HKD58.7 million for the year ended 31 December 2025, mainly due to finance cost from the Mining Business.

Loss for the year

For the year ended 31 December 2025, the Group recorded a net loss of HKD241.0 million as compared to a net loss of HKD229.2 million for the year ended 31 December 2024. Such increase in loss was mainly due to (i) the significant increase in expected credit losses on trade and other receivables of HKD80.5 million; (ii) the increase in overall costs, including direct costs as well as operating and administrative expenses, following the completion of the acquisition of the Mining Business; (iii) the increase in finance costs of HKD27.4 million mainly attributable to bank loans maintained by the Mining Business; and (iv) the increase in fair value losses of HKD26.2 million on investment properties. These increases were partially offset by a significant decrease in the goodwill impairment loss of HKD164.6 million recorded in the year 2024.

Property, plant and equipment

As of 31 December 2025, the Group's property, plant and equipment increased to HKD657.2 million from HKD591.6 million for the year ended 31 December 2024. Such increase was mainly due to the cost of construction in progress for the Mining Business.

Investment properties

As of 31 December 2025, the group's investment properties represent the leased retail shops of HKD143.7 million (2024: HKD158.4 million) located in Yunfu, the PRC and leased out the commercial building of HKD83.6 million (2024: HKD97.5 million) located in Beihai City, Guangxi Province, the PRC. The Group recognised a fair value loss on investment properties of HKD40.7 million (2024: HKD14.5 million) due to the challenging business environment in the PRC.

Intangible assets

As of 31 December 2025, the Group's intangible assets decreased to HKD204.8 million (2024: HKD206.4 million) which included mining rights of HKD204.5 million (2024: HKD205.8 million), representing a valid mining license in Fushun City operating from 2024 to 2049.

Financial assets at fair value through other comprehensive income

As of 31 December 2025, the Group's financial assets at fair value through other comprehensive income substantially increased to HKD29.8 million from HKD0.2 million as at 31 December 2024. This change was primarily attributable to the investment in unlisted equity securities during the period, which are held for long-term investment purposes.

Trade and other receivables

As at 31 December 2025, the Group's trade and other receivables mainly comprised trade receivables (net of ECL allowances) of HKD341.1 million (2024: HKD415.6 million), which were mainly derived from the Supply Chain Business, and other receivables (net of ECL allowances) of HKD79.1 million (2024: HKD98.0 million), which mainly related to supply chain financing arrangements. As at 31 December 2025, trade receivables (net of ECL allowances) past due within 12 months and over 12 months amounted to HKD152.6 million (2024: HKD175.6 million) and HKD177.3 million (2024: HKD66.1 million), respectively.

The Group seeks to maintain strict control over its outstanding receivables and the management actively monitors the status of its outstanding receivables and the rapid change in market conditions in order to minimise credit risk. The management regularly reviews the overdue balances, which performs assessment of recoverability on a case-by-case basis.

Restricted cash

As at 31 December 2025, the Group held restricted cash of HKD8.0 million (2024: HKD7.0 million), primarily relating to deposits for rehabilitation obligations of the Mining Business in the PRC.

Trade payables

As at 31 December 2025, the Group's trade payable significantly increased by HKD94.0 million from HKD194.5 million as at 31 December 2024 to HKD288.5 million. Such increase was due to the increase in the Mining Business during the year ended 31 December 2025.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2025, the cash and cash equivalents of the Group were HKD10.6 million (2024: HKD21.7 million) and interest-bearing borrowings, including the borrowings and lease liabilities were HKD771.7 million (2024: HKD759.4 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 31 December 2025 denominated in original currencies:

	At 31 December 2025	
	HKD'000	RMB'000
Cash and cash equivalents	263	9,261
Borrowings	13,000	671,486
Lease liabilities	1,565	7,962
	<u>15,828</u>	<u>746,709</u>
	At 31 December 2024	
	HKD'000	RMB'000
Cash and cash equivalents	2,429	18,200
Borrowings	1,000	701,525
Lease liabilities	2,832	11,166
	<u>6,261</u>	<u>730,891</u>

The Group principally satisfies its demand for operating capital with cash inflows from its operations and borrowings. As at 31 December 2025, the gearing ratio, which is calculated on the basis of total debts (including interest-bearing borrowings and lease liabilities) over total shareholders' funds of the Group, was 203.9% (2024: 127.9%). The gearing ratio increased in comparison to 31 December 2024 mainly due to the significant loss for the year, which reduced the amount of shareholders' funds of the Group. The liquidity ratio, which represents a ratio of current assets over current liabilities to reflect the adequacy of the financial resources, was 0.40 (2024: 0.75). The liquidity ratio is decreased in comparison to that as at 31 December 2024 mainly due to the reclassification of a HKD271.9 million non-current borrowing to current liabilities upon its maturity within one year.

DISCLAIMER OF OPINION

As disclosed in the "Disclaimer of Opinion" section of the Independent Auditor's Report set out on pages 50 to 51 of the Annual Report, Baker Tilly Hong Kong Limited ("**BTHK**"), the auditor of the Company (the "**Auditor**"), does not express an opinion on the consolidated financial statements of the Group. Due to the significance of the matters described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report, the Auditor was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

1. Details of the modifications and financial impact

As set out in Note 2(b) to the consolidated financial statements, during the year ended 31 December 2025, the Group recorded a net loss of approximately HKD240,951,000 and as at 31 December 2025, the Group's current liabilities exceed current assets by approximately HKD745,511,000. The Group's total borrowings and interest payables amounted to approximately HKD834,455,000 in aggregate, of which approximately HKD380,570,000 and HKD438,747,000 were overdue for repayment and would be due for repayment within next twelve months from 31 December 2025 respectively, while the Group's total cash and cash equivalents amounted to only approximately HKD10,584,000 as at 31 December 2025. The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these, the Directors have prepared a cashflow forecast covering eighteen months from the end of the reporting period for the Group's going concern assessment (the "**Cashflow Forecast**") up to 30 June 2027. The validity of the going concern assumption based on which these consolidated financial statements have been prepared depends on the outcome of the measures to improve the Group's liquidity and financial position. However, the Auditor have not been provided with sufficient supporting information of the key assumptions and inputs adopted in the Cashflow Forecast. The Auditor was unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in preparation of these consolidated financial statements.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the Group's assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Details of the Disclaimer of Opinion and the relevant plans and measures proposed by the Directors are disclosed in the Independent Auditor's Report set out on pages 50 to 51 of the Annual Report.

2. Management's position and basis on major judgmental areas

The management of the Company (the "**Management**") has assessed the Group's liquidity, financial position, and funding sources to evaluate its ability to continue as a going concern. To mitigate liquidity pressures and strengthen financial stability, a series of action plans and measures have been formulated, as detailed on page 6 of the Results Announcement. The Management maintains that the going concern basis of accounting is appropriate for the preparation of the consolidated financial statements for the year ended 31 December 2025, a position supported by the Cashflow Forecast.

The Management wishes to clarify that there is no material disagreement exists with the Auditor regarding accounting principles or treatments applied in the preparation of the consolidated financial statements. Instead, the difference in professional judgment is primarily attributable to the status of the sufficiency and appropriateness of audit evidence available at the time of the audit.

The Disclaimer of Opinion resulted from temporary limitations in audit evidence regarding the verification of the Group's liquidity assumptions. Specifically, the Auditor requires verifiable evidence, such as executed written contractual agreements for loan extensions, particularly in relation to the overdue borrowings originally with 華夏銀行股份有限公司深圳分行 (Shenzhen Branch of Hua Xia Bank Co., Limited)* ("Hua Xia Bank") and subsequently transferred to Cinda SZ Branch in 2026, as well as independent verification of the substantial shareholder's financial viability to provide the financial support.

While the Auditor views the absence of these signed supplemental agreements at the time of the audit as a scope limitation, the Management's position is forward-looking and takes into account the ongoing engagement with relevant parties and the prospective performance of the Group's business segments as evaluated under its current situation. The Management holds a reasonable expectation that these measures, including the debt restructuring and the financial support from the substantial shareholder, will be implemented successfully to ensure the Group's ability to continue as a going concern.

3. Audit Committee's View

The Audit Committee had reviewed the circumstances underlying the Disclaimer of Opinion concerning the going concern assumption. Following the discussion with both the Auditor and the Management, the Audit Committee concluded that the Disclaimer of Opinion resulted primarily from a scope limitation relating to the appropriateness of the going concern basis of accounting. It was noted that there were no material disagreements between the Auditor and the Management regarding the accounting principles or treatments applied in the preparation of the consolidated financial statements.

The Audit Committee has carefully considered the Cashflow Forecast, specifically regarding the validity and feasibility of the Management's plans to mitigate liquidity pressure. The Audit Committee reviewed and agreed with the management's position and the appropriateness of preparing the consolidated financial statements on a going concern basis. The Audit Committee concurs with the Management that the formulated measures, if successfully implemented, will provide sufficient financial resources for the Group's requirements. There were no disagreements between the Audit Committee and the Management regarding the modifications made for the year ended 31 December 2025.

4. Company's plans to address the modifications

The Company's plans and measures to address the modifications are as follows:

(i) *Restructuring of the Outstanding Amounts*

The Group has adopted an assumption that the Outstanding Amounts (totaling approximately HKD380.6 million as at 31 December 2025), would be settled or extended via a projected three-year installment framework. In early 2026, the Outstanding Amounts were transferred to Cinda SZ Branch, an institution specialising in debt resolution and asset management.

The Management believe transfer provides an opportunity to transition from a litigation-based enforcement phase toward a professional commercial dialogue. While finalised supplemental agreements were not yet available at the time of the audit, the Group expects to negotiate with the relevant new creditors to explore a sustainable repayment schedule that aligns with projected operational cash flows.

(ii) *Financial support from substantial shareholder*

The Group maintains an additional "liquidity buffer" through the written confirmation of its substantial shareholder, Zongchuan Investment Holding Co., Limited, who has agreed to provide sufficient funding to the Group. This support is specifically intended to bridge any potential shortfall in working capital needs and is treated as a contingency buffer rather than a primary forecast input to ensure a conservative and prudent assessment of the Group's liquidity. The Management maintains regular and proactive communication with these shareholders to align fund provision with the Group's actual repayment obligations as they fall due.

(iii) *Additional financing arrangements*

The Group continues to evaluate the financing options, including pledging certain investment properties as collateral to obtain additional banking facilities and considering the potential disposal of certain non-current assets, with a view to applying the net proceeds towards the settlement of borrowings. To provide a secondary layer of financial security, the Group holds the investment properties with a carrying amount of HKD227.3 million as at 31 December 2025.

The Management has adopted a prudent approach by not integrating potential disposal proceeds into the cash flow forecast, thereby ensuring that the Group's going concern assumption is not reliant on the execution of these specific events. Instead, the investment properties represent a source of potential liquidity that provides the Management with the strategic flexibility to address unforeseen funding requirements or to expedite the settlement of the Outstanding Amounts should negotiations with relevant new creditors require immediate capital.

(iv) *Collection of the receivables*

For the year ended 31 December 2025, the Group recorded revenue of HKD769.2 million. The effectiveness of the Group's credit management is demonstrated by the fact that the net trade receivables balance decreased to HKD341.1 million as at 31 December 2025 from HKD415.6 million in the prior year, despite the expansion in business segment. This indicates that the Group successfully managed the realisation of an aggregate of approximately HKD782.1 million in trade receivables (calculated based on the opening balance plus current year revenue, less the closing balance, the expected credit loss and exchange realignment). The Group continues to implement proactive measures to expedite the collection of receivables from customers to further strengthen cash flows and ensure adequate working capital for daily operations.

(v) *Development of the Mining Business*

Following the acquisition of the Zongchuan Investment Group at the end of 2024, the Mining Business contributed HKD237.1 million in revenue for 2025. Despite a segment loss due to operations remaining below full capacity and the business carried relatively high fixed costs, the business generated positive operating cash inflow of HKD11.7 million during the year. This figure is derived by adjusting the segment loss for non-cash items, including HKD55.8 million in depreciation and amortisation, HKD11.0 million in impairment losses on goodwill and other non-current assets, and the HKD2.5 million credit from the reversal of expected credit losses. To further strengthen the segment's financial position and the Group's overall liquidity, the Group is pursuing a three-year extension for Bank Loan 5 (originally termed from March 2023 to March 2026), which has a principal amount of RMB244 million (equivalent to HKD271.9 million) and is currently stated as a current liability. The Management remains optimistic regarding the segment's potential to improve the profitability and the cash flow in 2026, and enhances the Group's overall liquidity position.

In addressing the repeated modifications, the Management has consistently followed and executed the action plan disclosed in the 2024 Annual Report, with no material deviations identified during the current financial year. Despite the execution of these measures, the modification remains unresolved due to evidentiary uncertainties. Specifically, the Auditor required more reliable documentation to assess the likelihood of successful negotiation with the relevant creditors and the specific financial viability of the substantial shareholder. The Group remains optimistic that the continued execution of its plans and measures will eventually provide the conclusive audit evidence necessary to resolve the modifications.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no material contingent liabilities (2024: nil).

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk arises from the exchange rate movements between the Hong Kong dollar (pegged to US dollar) and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi. While the Group's operations in the PRC, the location of its production, are primarily conducted in Renminbi, its Hong Kong operations are conducted in Hong Kong dollars. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from borrowings, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

PLEDGES ON GROUP ASSETS

As at 31 December 2025, certain investment properties of the Group with an aggregate carrying amount of HKD160.9 million (2024: HKD178.5 million) and mining rights of the Group with carrying amount of HKD204.5 million (2024: HKD205.8 million) were pledged to banks for loans granted to the Group.

FINANCIAL GUARANTEES PROVIDED

Financial guarantees issued to the company within the Group

The Company had issued corporate guarantees amounting to HKD311 million (2024: HKD296 million) to banks in connection with facilities granted to certain subsidiaries within the Group. During the year ended 31 December 2025, there is a claim made against the Company and its certain subsidiaries due to the breach of loan agreements which was secured by corporate guarantee executed by the Company (see Note 40). The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by subsidiaries of HKD311 million (2024: HKD296 million).

Financial guarantees issued to the related parties outside the Group

During the year ended 31 December 2025, one of the subsidiaries of the Group, Fushun Xingzhou Mining Co., Ltd., has issued several corporate guarantees in respect of banking facilities to the extent of, in aggregate, approximately RMB136 million (equivalent to approximately HKD152 million) granted to two related companies. Mr. Wu Zongchuan (an executive director of the Company) has controlling interest in these companies. The directors of the Company do not consider it is probable that a claim will be made against the Group under these guarantees. As at 31 December 2025, the maximum exposure to the Group under the guarantees issued is the facilities drawdown by these related companies being approximately RMB136 million (equivalent to approximately HKD152 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2025, the Group invested HKD88.0 million (2024: HKD3.1 million) on property, plant and equipment, which included construction in progress, plant and machinery, leasehold improvements, furniture, fixtures and equipment. As at 31 December 2025 and 2024, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group for the years ended 31 December 2025 and 2024.

INVESTMENT PROPERTIES HELD

Location	Usage	Tenure	Attributable interest of the Group
City Plaza No. 1 Yunxiang Avenue, Xijiang New District, Yunfu, Guangdong Province, the PRC	The investment property comprises 141 retailing shops for rental and/or capital appreciation	Granted the land use rights of the property until 29 October 2053	100%
Lizhu Building No. 11 Changqing Road, Haicheng District, Beihai City, Guangxi Province, the PRC	The investment property comprises 14-storey (with a basement) commercial building for rental and/or capital appreciation	Granted the land use rights of the property until 25 September 2042	100%

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2025.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of approximately 470 employees (31 December 2024: approximately 600 employees). Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2025 (2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

Discloseable and Connected Transactions in Relation to Provision of Guarantees

Details are referred to the announcements of the Company dated 18 March 2026 and 17 April 2026.

Guarantee I

On 19 February 2025, Fushun Xingzhou Mining Co., Ltd.* (撫順興洲礦業有限公司) (“**Fushun Xingzhou**”), The Bank of Fushun Company Limited* (撫順銀行股份有限公司) (“**Fushun Bank**”) and other parties entered into the Guarantee Agreement I, which extended the original guarantee period for the Facility I, in relation to the provision of guarantee for the due performance of the repayment obligation of Fushun Huawei Mining Technology Development Co., Ltd.* (撫順華威礦業科技發展有限公司) (“**Fushun Huawei**”) to the Facility I with the amended principal amount of up to RMB16,000,000 obtained from the Fushun Bank. A guarantee agreement (the “**Extended Guarantee Agreement I**”) in relation to the Guarantee I was entered into among Fushun Xingzhou, Fushun Bank and other parties on 11 March 2026 in respect of the extended Facility I with the term to 2 June 2026 for the amended principal amount of up to RMB14,720,000 (the “**Extended Guarantee I**”).

Guarantee II and Guarantee III

On 1 December 2025, Fushun Xingzhou and Fushun Bank entered into (i) the Guarantee Agreement II in relation to the provision of guarantee for the due performance of the repayment obligation of Fushun Zongchuan Mining Development Co., Ltd.* (撫順宗傳礦業發展有限公司) (“**Fushun Zongchuan**”) to the Facility II with the principal amount of up to RMB40,000,000 obtained from Fushun Bank; and (ii) the Guarantee Agreement III in relation to the provision of guarantee to the Facility III with the principal amount of up to RMB80,000,000 obtained from Fushun Bank.

As the entering into of the Guarantee Agreement I, Guarantee Agreement II and the Guarantee Agreement III (the “**Provision of Guarantees**”) and the transactions contemplated thereunder also constituted discloseable and connected transactions of the Company under Chapter 14 and 14A under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), respectively. The Provision of Guarantees and the transactions contemplated thereunder are subject to the approval by the shareholders of the Company approving the Provision of Guarantees at a special general meeting of the Company.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

In view of the completion of the acquisition of Zongchuan Investment Group on 31 December 2024, the Luobokan Iron Ore Project (the "Project"), located in Dongzhou District, Fushun, Liaoning Province, the PRC, has officially become a mining asset of the Group. The following summarizes the exploration, development, and mining production activities carried out at the Project during the year ended 31 December 2025:

Project	Exploration	Activities Development	Mining Production
Luobokan Iron Ore Project	No major activities	Ongoing mine infrastructure construction, mainly underground development works	Extraction of approximately 1,600,000 tonnes of iron ore and production of approximately 280,000 tonnes of iron concentrate powder

SUMMARY OF EXPENDITURE

A summary of expenditure incurred by the Group at the Project for the year ended 31 December 2025 is as follows:

	For the year ended 31 December 2025		
	Operating expenditure HKD'000	Capital expenditure HKD'000	Total HKD'000
1. Exploration Activities	–	–	–
2. Development Activities			
Underground development works	–	81,090	81,090
3. Mining Production Activities			
3.1 Mining costs			
Subcontract fee	67,999	–	67,999
Depreciation and amortisation	21,288	–	21,288
Blasting cost	8,442	–	8,442
Staff costs	6,291	–	6,291
Power supply	3,759	–	3,759
Consumables	2,150	–	2,150
Others	901	–	901
3.2 Processing costs			
Power supply	23,240	–	23,240
Consumables	18,456	–	18,456
Staff costs	12,532	–	12,532
Depreciation and amortisation	7,705	–	7,705
Others	3,012	–	3,012
	<u>175,775</u>	<u>–</u>	<u>175,775</u>
Total	<u>175,775</u>	<u>81,090</u>	<u>256,865</u>

RESOURCES AND RESERVES

The Luobokan Iron Ore Project (the “**Project**”), located in Dongzhou District, Fushun, Liaoning Province, China, approximately 55 km east of the city centre of Shenyang. The operation transitioned from open-pit to underground mining in year 2022. The mining license valid from January 2024 and July 2049 and covers a mining area of 0.94 square kilometers, with a maximum capacity of 2.9 million tonnes per year.

The results of the iron ore reserves and resources in this report are calculated by deducting the consumption amount from 1 March 2024 to 31 December 2025 from the estimated amount of iron ore reserves and resources stated in the competent person’s report dated 28 June 2024 prepared by Roma Oil and Mining Associates Limited, the mineral resource estimate for exploration target under the JORC Code (2012) Mineral Resource are as follows:

The Project’s iron ore resource statement as at 31 December 2025:

Resource Category	Million Tonnes	mFe %
Indicated	31.5	18.23
Inferred	33.0	15.53
Total	64.5	16.95

The Project’s exploration target as at 31 December 2025:

	Million Tonnes	mFe %
Exploration Target	50 to 100	12 to 17

Notes:

- (i) There was no material changes in these estimates since the competent person’s report dated 28 June 2024.
- (ii) The potential quantity and grade of an exploration target is conceptual in nature so the tonnes and grade are expressed as ranges as there has been insufficient exploration to estimate a Mineral Resource. Furthermore it is uncertain if further exploration will result in the estimation of a mineral resource.

FUTURE PROSPECT

Looking ahead to 2026, the Group anticipates that the economic environment will remain complex and uncertain. Global economic recovery faces ongoing challenges, including geopolitical conflicts, inflationary pressures, and rapid technological advancements. Notwithstanding these challenges, the Group maintains a cautiously optimistic outlook and is committed to responding to evolving market conditions with flexibility and strategic foresight.

In the Supply Chain Business segment, the strategic vertical integration of the Mining Business remains essential to enhancing the Group's competitive advantage. Following the acquisition of the Zongchuan Investment Group, the segment recorded a loss in 2025, primarily due to under-utilized production capacity and high fixed costs. In 2026, the Group's primary focus will be on maximising the production capacity of these operations. By significantly increasing output, the Group aims to reduce fixed cost burdens and achieve economies of scale necessary for long-term sustainable development. Furthermore, we will continue to strengthen credit control measures and regularly review trade receivables to mitigate risks from delayed customer payments.

In the Hotel Management & Catering Services segment, the Group's operations achieved a modest operational profit in 2025 (excluding non-cash fair value adjustments). The Group remains committed to improving operational efficiency and customer satisfaction. Future efforts will focus on menu innovation, brand-building initiatives, and targeted promotions to broaden our customer base and enhance long-term brand value.

Regarding the overdue borrowings originally with Hua Xia Bank, the debt has been transferred to Cinda SZ Branch subsequent to the year ended 31 December 2025. To ensure financial stability and improve working capital, the Group is exploring the divestment of its investment properties. The Group is keep considering using these properties as disposal assets to settle the outstanding debts with the relevant new creditors, thereby strengthening the Group's balance sheet and providing the flexibility to pursue future growth.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The Directors and senior management at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Wu Zongchuan, aged 60, was appointed as an executive Director on 21 May 2025. He is the chairman of the Board, the chief executive officer of the Company, the chairman of each of the nomination committee (the “**Nomination Committee**”), the strategic committee (the “**Strategic Committee**”) and the investment and fund raising committee (the “**Investment and Fund Raising Committee**”) and a member of the remuneration committee (“**Remuneration Committee**”) of the Company.

Mr. Wu is a founder and general manager of Fushun Zongchuan, which is principally engaged in mining engineering, metal mineral products and sales of parts of mining equipment. Mr. Wu currently serves as a deputy in the 14th Council of Wenzhou City People’s Congress (溫州市第十四屆人大代表), the president of Cangnan Mine Shaft Industry Association* (蒼南礦山井巷行業協會), vice chairman of the 8th Council of Cangnan County Federation of Industry and Commerce* (蒼南縣第八屆工商業聯合會), vice president of the 11th Council of the Liaoning Enterprise and Entrepreneur Association* (遼寧省企業聯合會企業家協會), executive president of the Shenyang Wenzhou Chamber of Commerce* (瀋陽市溫州商會), chairman of Zhejiang Zongchuan Holdings Co., Ltd.* (浙江宗傳控股有限公司), executive director of Yunnan Zongchuan Holding Co., Ltd.* (雲南宗傳控股有限公司), and dean of the Zongchuan Mining College* (宗傳礦業學院) at Liaoning Geological Engineering Vocational College* (遼寧地質工程職業學院). In addition, Mr. Wu holds directorships in certain subsidiaries of the Company.

Mr. Wu is the father of Mr. Wu Qi, a substantial Shareholder. As at the date of this report, Zongchuan Investment Holding Co. Limited (“**Zongchuan Investment Holding**”) holds 950,000,000 Shares (representing approximately 16.87% of the issued share capital of the Company); and Zongchuan Investment Holding Co. Limited is wholly owned by Mr. Wu Qi. Therefore, Mr. Wu Qi is deemed to be interested in all the shares of the Company held by Zongchuan Investment Holding Limited by virtue of the Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “**SFO**”).

Mr. Liu Weixiong, aged 51, was appointed as an executive Director on 21 May 2025. He is a member of each of the Strategic Committee and the Investment and Fund Raising Committee.

Mr. Liu obtained a bachelor degree in Certified Public Accountant Specialisation at Dongbei University of Finance and Economics* (東北財經大學) in June 1998.

Mr. Liu has built a distinguished career in finance and management within the mining and securities sectors. From November 2005 to July 2015, he worked at Western Mining Co., Ltd.* (西部礦業股份有限公司) and Western Mining Group Co., Ltd.* (西部礦業集團有限公司), respectively, where he last served as vice president. From September 2015 to January 2016, he was an assistant to the chairman at Shanghai Haicheng Resources (Group) Co., Ltd.* (上海海成資源(集團)有限公司). From February 2016 to August 2016, he served as vice president at Tibet Everest Resources Co., Ltd.* (西藏珠峰資源股份有限公司). From October 2016 and April 2018, he was a deputy general manager at Tibet Baiyue Mining Co., Ltd.* (西藏百悅礦業有限公司). From June 2018 to December 2019, he was a vice president at Zhejiang Guocheng Holding Group Co., Ltd.* (浙江國城控股集團有限公司). Since April 2023, he has served as finance director at Yunnan Zongchuan Holding Co., Ltd.* (雲南宗傳控股有限公司). In addition, He holds directorships in certain subsidiaries of the Company.

Mr. Lyu Zhengjun, aged 52, was appointed as an executive Director on 21 May 2025. He is a member of each of the Strategic Committee and the Investment and Fund Raising Committee; and acts as an authorised representative of the Company (the “**Authorised Representative**”).

Mr. Lyu obtained a bachelor degree in public relations from College of Humanities and Social Sciences, Nanjing University of Science and Technology* (南京理工大學人文與社會科學學院) in 1995.

Mr. Lyu has extensive experience in management, administration, and international operations. From November 1995 to November 2007, he worked for the Administration Department of a local company. Between November 2007 and August 2014, he joined Jiangsu Yueda Group Special Vehicle Co., Ltd (江蘇悅達集團專用車有限公司) where he has served as head of several management department. From January 2016 to October 2023, he worked in Africa as the investor and the General Representative of Wayzim Technology Co., Ltd (中科微至科技股份有限公司). He serves as a director of Tengyue Holding Limited (“**Tengyue Holding**”), which was a substantial Shareholder. Tengyue Holding held 980,000,000 Shares (representing approximately 17.41% of the issued share capital of the Company), as at 31 December 2025. He holds directorships in certain subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Hang Chu Kwong, aged 54, was appointed as an executive Director on 21 May 2025 and re-designated as a non-executive Director on 1 September 2025. He was a member of each of the Strategic Committee and the Investment and Fund Raising Committee, and an Authorised Representative from 21 May 2025 to 31 August 2025.

Mr. Hang obtained a bachelor degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Hang has worked as an external auditor in an international accounting firm and served as senior financial positions and company secretary in several companies listed on the Main Board of the Stock Exchange. Mr. Hang has accumulated solid experience in financial accounting, auditing, taxation, financial control, corporate finance and company secretarial functions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Ching Yi, aged 51, was appointed as Independent Non-executive Director of the Company on 16 December 2022. She is the chairman of each of the audit committee (the “**Audit Committee**”) and Remuneration Committee; and a member of the Nomination Committee.

Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan has obtained a bachelor's degree in accountancy from City University of Hong Kong and has accumulated more than 22 years of financial and auditing experience.

Currently, Ms. Chan is the company secretary of Xinjiang Tianye Water Saving Irrigation System Company Limited (stock code: 840), which is listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Li Yun, aged 61, was appointed as an independent non-executive Director on 7 April 2025. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. Li graduated from Jiangxi College of Finance and Economics (Currently known as Jiangxi University of Finance and Economics) in the People's Republic of China (the "PRC") with a bachelor's degree in accountancy in 1986 and Asia International Open University (Macau) with a master's degree in business administration in 2003. She is a member of The Chinese Institute of Certified Public Accountants and has over 30 years of experience in the accounting, finance and management sectors in the PRC. Ms. Li had served as the supervisor at China Union Holdings Ltd. (stock code: 000036) from June 2001 to May 2013, which is listed on the Shenzhen Stock Exchange ("China Union Holdings"). She also served as a director, deputy chairman and general manager of China Union Holdings for the period from May 2013 to December 2023.

Mr. Li Wubo, aged 53, was appointed as an independent non-executive Director on 21 May 2025. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Li obtained a master degree in business administration at Peking University in 2019.

Mr. Li has extensive experience in management within the mining and energy sectors. Since July 2018, he has been serving as vice chairman of Gansu Jianxin Industry Group Co., Ltd.* (甘肅建新實業集團有限公司). From December 2023, he has been serving as a chairman of Baiyue Energy (Tangshan) Co., Ltd.* (百悅能源唐山有限公司). Concurrently, since December 2023, he has served as an independent director at Inner Mongolia Xingye Silver & Tin Mining Co., Ltd.* (內蒙古興業銀錫礦業股份有限公司), and since June 2024, as a director at Tibet Resources Co., Ltd.* (西藏資源股份有限公司).

SENIOR MANAGEMENT

Mr. Sze Kat Man, aged 39, joined the Group in October 2014 as the Financial Controller of the Group and was appointed as company secretary (the "Company Secretary") and Authorised Representative on 16 April 2017. He is currently responsible for the overall financial management and company secretarial matters of the Group. Mr. Sze graduated from City University of Hong Kong with an Associate of Business Administration in Accountancy and is a member of the HKICPA. He has over 17 years of experience in the professional audit and accounting fields.

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the Supply Chain Business (including the iron ore mining and milling), Hotel Management & Catering Services. The principal activities and other particulars of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 December 2025 by segments are set out in note 10 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

BUSINESS REVIEW

Details of the Group's business review and business prospects during the year are set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statements of profit or loss and other comprehensive income on pages 53 and 54 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2025 (31 December 2024: Nil).

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 57 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2025, calculated under the Companies Act 1981 of Bermuda (the "Companies Act"), amounted to HKD688,058,000 (2024: HKD692,250,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations and business would be affected by numerous risks and uncertainties including credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's financial risk management is shown in Note 33 to the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2025, the issued share capital of the Company was 5,630,000,000 ordinary shares of HKD0.02 each (the "**Share(s)**").

Movements in the share capital of the Company during the year are set out in note 30(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the year, the Group has not made any charitable donations (2024: Nil).

BORROWINGS

As at 31 December 2025, the Group had borrowings of approximately HKD761.3 million (2024: HKD744.7 million).

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2025, the Group acquired property, plant and equipment at a cost of approximately HKD88.0 million for the purpose of expanding the Group's business (2024: HKD3.1 million).

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, the five largest customers of the Group together accounted for 43.2% of the Group's total revenue, with the largest customer accounting for 25.9% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was 39.4% of the total purchase of the Group for the year ended 31 December 2025, and the largest supplier accounted for 15.9% of the Group's total purchases.

During the year under review, none of the Directors or any of their close associates or any shareholder of the Company, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2025.

RELATED PARTY TRANSACTION

The Group entered into certain related party transactions as disclosed in note 34 and 36 to the consolidated financial statements. During the year ended 31 December 2025, details of any related party transactions which also constitute connected transactions not exempted Chapter 14A under the Listing Rules are disclosed in the section headed "Connected Transactions" in this report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this report were:

Executive Directors

Mr. Wu Zongchuan (*Chairman & Chief Executive Officer*)
 Mr. Liu Weixiong
 Mr. Lyu Zhengjun

Non-Executive Directors

Mr. Hang Chu Kwong (*Re-designated from executive Director to non-executive Director on 1 September 2025*)

Independent Non-Executive Directors

Ms. Chan Ching Yi
 Ms. Li Yun
 Mr. Li Wubo

Mr. Wang Jian, Mr. Liao Nangang, Ms. Qian Pu, Mr. Zhou Yijie, Mr. Liu Xiaowei and Mr. Zheng Suijun resigned on 31 March 2025 and 21 May 2025 as Directors, respectively. All of the resigned Directors have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Pursuant to Rule 3.09D of the Listing Rules, Ms. Li Yun, Mr. Wu Zongchuan, Mr. Liu Weixiong, Mr. Lyu Zhengjun, Mr. Hang Chu Kwong and Mr. Li Wubo, as the newly Directors, had obtained the legal advice on 7 April 2025 and 21 May 2025 from the firms of solicitors qualified to advise on Hong Kong law as regards the requirements under the Stock Exchange, respectively. All of the new Directors had confirmed that they understood their obligations as a director of a listed company.

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

In accordance with the Bye-laws, Mr. Liu Weixiong, Mr. Lyu Zhengjun and Mr. Hang Chu Kwong will retire as Directors by rotation at the forthcoming annual general meeting of the Company (the “**2026 AGM**”), being eligible, offer themselves for re-election.

The biographical details of Directors are set out in the section headed “Directors and Senior Management Profile” of this annual report.

DIRECTORS’ SERVICE CONTRACTS

Each executive Director has entered into a continuous service contract with the Company. All non-executive Directors (including independent non-executive Directors) are appointed for an initial term of one year. All the Directors are subject to retirement in accordance with the Listing Rules and the Bye-laws.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors nor a connected entity of Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company, its controlling shareholder or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2025.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

None of the Directors is interested in any business (apart from the business of the Company or its subsidiaries) which competes, either directly or indirectly, with the principal business of the Company or its subsidiaries during the year.

CONNECTED TRANSACTIONS

The Group had the following connected transactions during 2025:

Provision of Guarantees

The Group has entered into a number of transactions with the following connected persons (as defined under Chapter 14A of the Listing Rules), including:

Connected Person	Connected Relationship
Fushun Zongchuan	an associate of Mr. Wu Zongchuan
Fushun Huawei	a wholly-owned subsidiary of Fushun Zongchuan

Guarantee I

On 19 February 2025, Fushun Xingzhou, Fushun Bank and other parties entered into the guarantee agreement (the "**Guarantee Agreement 1**"), which provided a guarantee for a facility with the principal amount of up to RMB16.0 million obtained from Fushun Bank (the "**Facility I**") for the due performance of the repayment obligations of Fushun Huawei to the Fushun Bank, for a term of three years from the date of expiry of the repayment obligation of Fushun Huawei for Facility I ("**Guarantee I**").

Guarantee II and Guarantee III

On 1 December 2025, Fushun Xingzhou and Fushun Bank entered into (i) the guarantee agreement (the "**Guarantee Agreement II**"), which provided a guarantee for a facility with the principal amount of up to RMB40.0 million obtained from Fushun Bank (the "**Facility II**") for the due performance of the repayment obligation of Fushun Zongchuan to the Facility II (the "**Guarantee II**"); and (ii) the guarantee agreement (the "**Guarantee Agreement III**"), which provided a guarantee for a facility with the principal amount of up to RMB80.0 million obtained from Fushun Bank (the "**Facility III**") for the due performance of the repayment obligation of Fushun Zongchuan to the Facility III (the "**Guarantee III**"), respectively. Guarantee Agreement II and Guarantee Agreement III are for a term of three years from the date of expiry of the repayment obligation of Fushun Huawei for Facility II and Facility III.

In view that Mr. Wu Zongchuan, an executive Director, the chairman of the Board, and chief executive officer of the Company, is the ultimate beneficial owner of Fushun Huawei and Fushun Zongchuan. Accordingly, Fushun Huawei and Fushun Zongchuan are his associates and therefore connected persons of the Company under the Listing Rules, entering into the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III and the transactions contemplated thereunder, respectively, constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Given the parties to the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III are connected with one another, the transactions contemplated under the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio for the provision of the Guarantee I, the Guarantee II and the Guarantee III, on an aggregate basis, exceeded 5% but less than 25%, the entering into of the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III and the transactions contemplated thereunder should be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (other than Mr. Wu Zongchuan who has abstained from voting, and excluding the independent non-executive Directors who will express their views on the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III and the transactions contemplated thereunder after considering the advice from the Independent Financial Adviser) consider that the terms of the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III are fair and reasonable; and the entering into of the Guarantee Agreement I, the Guarantee Agreement II and the Guarantee Agreement III and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Details of these connected transactions have been disclosed in the announcements dated 18 March 2026 and 17 April 2026.

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

As at 31 December 2025, none of Directors or chief executive has any interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were 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 the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or of any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as is known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follow:

Name of Shareholders	Number of Shares held			Total ^(Note 1)	Approximate % of the Issued Share Capital ^(Note 2)
	Personal Interests (Held as beneficial owner)	Corporate Interests (Interests of controlled corporation)	Other Interests		
Tengyue Holding ^(Note 3)	980,000,000	–	–	980,000,000	17.41%
Beyond Glory Holdings Limited (“Beyond Glory”) ^(Note 3)	–	980,000,000	–	980,000,000	17.41%
Mr. Liao Nangang ^(Note 3)	–	980,000,000	–	980,000,000	17.41%
Zongchuan Investment Holding ^(Note 4)	950,000,000	–	–	950,000,000	16.87%
Mr. Wu Qi ^(Note 4)	–	950,000,000	–	950,000,000	16.87%

Notes:

- All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
- The percentage was calculated based on the total number of Shares of the Company as at 31 December 2025, which was 5,630,000,000.
- These 980,000,000 Shares are owned by Tengyue Holding, which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of the SFO.
- These 950,000,000 Shares are owned by Zongchuan Investment Holding, which is wholly-owned by Mr. Wu Qi. Accordingly, Mr. Wu Qi is deemed to be interested in all the Shares held by Zongchuan Investment Holding by virtue of the SFO.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any other person or corporation (other Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director(s) of the Company since the date of the 2025 interim report of the Company and up to the date of this annual report are set out below:

Name of Directors	Details of Changes
Mr. Hang Chu Kwong	– Re-designated to a non-executive Director, and ceased to be a member of each of the Strategic Committee and the Investment and Fund Raising Committee; and also ceased to act as the Authorised Representative on 1 September 2025. The annual remuneration of Mr. Hang Chu Kwong has been revised to HKD120,000 with effect from 1 September 2025.
Mr. Lyu Zhengjun	– Appointed as a member of each of the Strategic Committee and the Investment & Fund Raising Committee, and also acted as the Authorised Representative on 1 September 2025.

Save as disclosed, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE REQUIREMENTS UNDER RULES 13.19 AND 13.21 OF THE LISTING RULES

References are made to the announcements of the Company dated 19 December 2023, 8 November 2024 and 11 December 2025, respectively.

On 15 August 2022, Hua Xia Bank as lender and 深圳金勝供應鏈有限公司 (Shenzhen Jinsheng Supply Chain Company Limited)* ("**Shenzhen Jinsheng**"), an indirect wholly-owned subsidiary of the Company, as borrower entered into a facility agreement, under which Hua Xia Bank made available to Shenzhen Jinsheng a loan facility of an aggregate maximum amount of RMB279.0 million (the "**Facility**"). Pursuant to the working capital loan agreements entered into between Hua Xia Bank and Shenzhen Jinsheng on the same date (the "**Loan Agreements**"), the Facility was fully utilised and loans of an aggregate principal amount of RMB279.0 million were made by Hua Xia Bank to Shenzhen Jinsheng under the Facility (the "**Loans**"). The Loans were secured by guarantees given by the Company, certain of its subsidiaries and an independent third party and properties owned by an independent third party.

Shenzhen Jinsheng has been in default of interest payments under the Loan Agreements, which constitutes an event of default under the Loan Agreements (the “**Default**”). The Default resulted in Hua Xia Bank to declare the Loans immediately due and payable. The total amount of principal, interests and compound interests outstanding under the Loan Agreements is approximately RMB294.3 million. Hua Xia Bank has not granted any waiver in respect of the Default and has demanded immediate repayment of the outstanding amounts under the Loan Agreements.

On 13 October 2024, the Group recently received a written civil ruling (the “**Civil Ruling**”) issued by the Intermediate People’s Court of Shenzhen, Guangdong (廣東省深圳市中級人民法院) (the “**Intermediate Court**”) in connection with the legal proceedings instituted by Hua Xia Bank to recover the outstanding amounts under the Loan Agreements (the “**Legal Proceedings**”). Pursuant to the Civil Ruling, Shenzhen Jinsheng shall repay the principal of the Loans in the aggregate amount of RMB279.0 million, and pay to Hua Xia Bank loan interests of approximately RMB7.8 million and corresponding default interests and compound interests in connection with the Default. Further, the Company and certain of its subsidiaries, as guarantors, shall undertake joint and several guarantee liabilities in connection with the indebtedness of Shenzhen Jinsheng under the Loan Agreements. In addition, Shenzhen Jinsheng and its guarantors (including the Company and certain of its subsidiaries) have been ordered to pay to the Court handling fee and preservation order application fee totalling approximately RMB1.5 million in connection with the Legal Proceedings. The Group lodged an appeal against the Civil Ruling disputing the quantum of loan interests payable under the Loan Agreements. On 8 May 2025, the Guangdong Higher People’s Court (廣東省高級人民法院) (the “**High Court**”) issued the Case Acceptance Notice to the Group (as appellant), confirming the court’s acceptance of the appeal case.

In December 2025, the Group received a final civil judgment (the “**Civil Judgment**”) from the High Court in relation to the appeal lodged by Shenzhen Jinsheng. The High Court dismissed the appeal and upheld the civil ruling previously issued by the Intermediate Court. Under the Civil Judgment, Shenzhen Jinsheng is ordered to repay to Hua Xia Bank the principal of the Loans in the aggregate amount of RMB279,000,000, together with loan interests of approximately RMB7,881,300 and the corresponding default interests and compound interests in connection with the Default, as calculated in accordance with the Loan Agreements and the Civil Ruling. The Company and certain of its subsidiaries, as guarantors, are held jointly and severally liable for these debts. Shenzhen Jinsheng and its guarantors (including the Company and certain of its subsidiaries) are further ordered to pay court costs, including the case acceptance fee and the preservation application fee, totalling approximately RMB1,458,389.54. The Civil Judgment is final, conclusive and not subject to further appeal.

Subsequent to the year ended 31 December 2025, the above-mentioned debts along with compound and default interests have been transferred to China Cinda Asset Management Co., Ltd., Shenzhen Branch (“**Cinda SZ Branch**”) pursuant to a debt disposal notice issued by Cinda SZ Branch (“**Disposal Notice**”). Under the Disposal Notice, the Group was notified to demand the outstanding debt comprising principal, accrued interest, penalty interest, default damages and reimbursable relevant legal costs, and other incurred expenses.

Details of the Loan Agreements are set out in notes 26 to the consolidated financial statements of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The 2026 AGM is scheduled to be held on Friday, 26 June 2026. The register of members of the Company will be closed from Monday, 22 June 2026 to Friday, 26 June 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2026 AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 June 2026.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the year ended 31 December 2025 and up to the date of this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the year and is still in force. In addition, the Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2025, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "CG Code") throughout the year under review, with the exception of a few deviations. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Detailed information on the Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to better protecting the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. Further discussions on the environmental policies and performance of the Group, and our relationships with key stakeholders are contained in a separate Environmental, Social and Governance Report, which will be available for inspection on the websites of the Stock Exchange and the Company on the same publication date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by BTHK, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On Behalf of the Board

Wu Zongchuan

Chairman

Hong Kong, 30 March 2026

CORPORATE GOVERNANCE REPORT

The Company's corporate governance structure mirrors the provisions of the CG Code as set out in Appendix C1 of the Listing Rules. The Company ascribes to good governance and transparency with a view that through these business ethics, shareholders and other stakeholders are assured of a solid and credible business framework. The Company recognises the need to adapt and improve business practices in the light of the evolving business environment, investor expectations and regulatory requirements. The Board is tasked to review the corporate governance structure of the Company and effect changes whenever necessary. It views the need for transparency in practices and policies and making informed decisions as fundamental.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2025, the Company has applied the principles of, and complied with, the applicable code provisions of the CG Code, except for the following deviations:

- Under code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wu Zongchuan served as both the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Wu has extensive experience in the mining engineering, metal mineral products and sales of parts of the mining equipment industry, and is responsible for the overall corporate strategies, planning and business development of the Group. Accordingly, the Board believes that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decision efficiently and consistently, and the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals, with the majority of the member of the Board being non-executive Directors (including independent non-executive Directors); and
- Under code provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. Wu was unable to attend the annual general meeting of the Company of 20 June 2025 (the "AGM") due to other business arrangements. Mr. Wu will endeavour to attend all future general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Wu had entrusted Mr. Lyu Zhengjun, being an executive Director, to respond to shareholders' concerns (if any) on his behalf at the AGM.

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Model Code on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year ended 31 December 2025.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2025, the Board comprised seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. During the year and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Mr. Wu Zongchuan (*Chairman and Chief Executive Officer*)

Mr. Liu Weixiong

Mr. Lyu Zhengjun

Non-executive Director

Mr. Hang Chu Kwong (*Re-designated from executive Director to non-executive Director on 1 September 2025*)

Independent Non-executive Directors

Ms. Chan Ching Yi

Ms. Li Yun

Mr. Li Wubo

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, the board of a listed issuer must include at least three independent non-executive directors and these independent non-executive directors must represent at least one-third of the board. Meanwhile, pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members and the majority of the audit committee members must be independent non-executive directors. Following the resignation of Mr. Chan Kin Sang with effect from 31 December 2024, the number of independent non-executive Directors and composition of the Audit Committee had failed to meet the relevant requirements under the Listing Rules. Following the appointment of Ms. Li Yun as an independent non-executive Director and as a member of each of the Audit Committee, the Remuneration Committee and Nomination Committee, the Company have complied with the relevant requirements under the Listing Rules.

Ms. Li Yun, Mr. Wu Zongchuan, Mr. Liu Weixiong, Mr. Lyu Zhengjun, Mr. Hang Chu Kwong and Mr. Li Wubo confirm that (i) he/she has obtained the legal opinion referred to in Rule 3.09D of the Listing Rules on 7 April 2025 and 21 May 2025, respectively and (ii) he/she understands his/her obligations and responsibilities as a Director.

The biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management". The relationships (including financial, business, family or other material or relevant relationships) between members of the Board are also disclosed therein.

Responsibilities of the Board and Management Functions

Apart from its statutory and fiduciary responsibilities, the Board is primarily responsible for reviewing and overseeing the financial and business performance of the Group. It is accountable for the overall strategic development of the Group with the objective to maximise shareholders' value. Material matters are reserved for the Board's considerations or decisions which include, among other things, overall strategy of the Group, business plans, annual budgets, significant capital expenditure, financial reports, dividend policy and payments, material acquisitions, disposals or investment proposals, Directors' appointments, reappointments or removal, and other material transactions. The Bye-laws provide that all Directors must declare their respective interests, if any, with regards to the resolutions of the Board. In case, a Director has a conflict of interest in a material matter, such Director shall abstain from voting and not be counted in quorum.

The Management, under the leadership and supervision of the Chief Executive Officer (the "CEO") and the executive Directors, is responsible for the day-to-day management, administration and operations of the Group, the execution of the policies, strategy and objectives set by the Group and the implementation of adequate systems of risk management and internal control procedures. The Management is required to report directly to the CEO and the relevant executive Directors on a regular basis in respect of the business performance and the operational and functional issues of the Group.

Chairman and Chief Executive Officer

Mr. Wu is currently the Chairman and the CEO. Taking into account Mr. Wu's extensive experience in the mining engineering, metal mineral products and sales of parts of the mining equipment industry, and his pivotal role in the overall corporate strategies, planning and business development of the Group. Therefore, the Board believes that it is in the interest of the Group for Mr. Wu to take up both roles to ensure effective management and operations. The Directors are of the view that the Board can function efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with the members of the Board and the relevant Board committees, and with the presence of non-executive Directors (including independent non-executive Directors); who can provide independent advice on the operations and management of the Group. The Board takes the view that there is an adequate safeguard in place to maintain a balanced distribution of power within the Board. The Board also reviews the structure and composition of the Board and senior management team from time to time in light of the Company's prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Independent Non-executive Directors

The Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received an annual confirmation of his independence from each Independent Non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence.

Diversity of the Board and Workforce

The Company adopted a board diversity policy on 24 January 2019 to achieve diversity on the Board composition ("**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at 31 December 2025, our Board consists of five male members and two female members with two Directors of age 59 to 60 years old and five Directors of age 51 to 55 years old. The Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

The total gender diversity of the Group is balanced, at approximately 24.4%, representing 115 female out of 471 employees (including senior management) as at 31 December 2025. To support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

The Nomination Committee is responsible for the review of the measurable objectives, such as the length of services and professional knowledge of the Directors, adopted for implementing the Board Diversity policy in terms of nomination of a potential candidate and re-appointment of existing Directors, and the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness

Continuous Professional Development

Under code provision C.1.4 of CG Code regarding continuous professional development (“CPD”), Directors should participate in CPD to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2025, all Directors have participated in appropriate CPD activities either by attending training courses or by reading materials relevant to the Company’s business or to the Directors’ duties and responsibilities.

The participation by individual Directors in 2025 is recorded as follows:

Name of Directors	Attending seminars/ conference or reading material relating to the business, accounting law, rules and regulations
Executive Directors	
Mr. Wu Zongchuan	Yes
Mr. Liu Weixiong	Yes
Mr. Lyu Zhengjun	Yes
Non-executive Director	
Mr. Hang Chu Kwong	Yes
Independent Non-executive Directors	
Ms. Chan Ching Yi	Yes
Ms. Li Yun	Yes
Mr. Li Wubo	Yes

Director's Attendance of the Meetings

The Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. In addition, the Board would also hold the other Board meetings with a short notice given to discuss the material transactions as and when required. During the year ended 31 December 2025, six Board meetings, two Audit Committee meetings, three Remuneration Committee meetings, three Nomination Committee meetings, and one annual general meeting were held respectively. Attendances of these meetings by Directors are set out below:

Name of Directors	Number of Meetings Attended/Eligible to Attend				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Mr. Liao Nangang ^(Note 1)	0/3	N/A	N/A	0/3	N/A
Mr. Wu Zongchuan ^(Note 2)	2/3	N/A	N/A	N/A	No
Mr. Liu Weixiong ^(Note 2)	3/3	N/A	N/A	N/A	Yes
Mr. Lyu Zhengjun ^(Note 2)	3/3	N/A	N/A	N/A	Yes
Ms. Qian Pu ^(Note 1)	2/3	N/A	2/3	2/3	N/A
Mr. Zhou Yijie ^(Note 1)	3/3	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Liu Xiaowei ^(Note 3)	0/3	N/A	N/A	N/A	N/A
Mr. Hang Chu Kwong ^(Note 4)	3/3	N/A	N/A	N/A	Yes
Independent Non-executive Directors					
Ms. Chan Ching Yi	6/6	2/2	3/3	3/3	Yes
Mr. Zheng Suijun ^(Note 5)	2/2	1/1	2/3	2/3	N/A
Ms. Li Yun ^(Note 6)	4/4	1/1	1/1	1/1	Yes
Mr. Li Wubo ^(Note 7)	1/3	0/1	N/A	N/A	No

Notes:

1. Resigned as an executive Director on 21 May 2025.
2. Appointed as an executive Director on 21 May 2025.
3. Resigned as a non-executive Director on 21 May 2025.
4. Appointed as an executive Director on 21 May 2025 and re-designated as a non-executive Director on 1 September 2025.
5. Resigned as an independent non-executive Director on 21 May 2025.
6. Appointed as an independent non-executive Director on 7 April 2025.
7. Appointed as an independent non-executive Director on 21 May 2025.

BOARD COMMITTEES

The Board has maintained five board committees (the “**Board Committee(s)**”). Each of the Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Fund Raising Committee and the Strategic Committee, is to assist in the execution of the Board’s responsibilities and to oversee particular aspect of the Group’s affairs. Each Board Committee is provided with sufficient resources to discharge its duties properly, and holds meetings in accordance with the Bye-laws, its specific written terms of reference and, where applicable, the proceedings of Board meetings.

Audit Committee

The Audit Committee was established on 9 November 2001. The Audit Committee comprises three members of all whom are Independent Non-executive Directors, namely:

Ms. Chan Ching Yi (*Chairman*)

Ms. Li Yun (*Appointed on 7 April 2025*)

Mr. Zheng Suijun (*Resigned on 21 May 2025*)

Mr. Li Wubo (*Appointed on 21 May 2025*)

The major duties of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group, and to provide recommendation and advices to the Board on the appointment, reappointment and removal of external auditor as well as their terms of appointment. The authority and duties of the Audit Committee are set out in its specific written terms of reference. The Audit Committee has explicit authority to investigate any activity within its duties and responsibilities and the authority to obtain outside legal or other independent professional advice if it considers necessary. Full text of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year. During the year ended 31 December 2025, two committee meetings were held. Attendances of the meetings have been disclosed on page 39 of this annual report.

During the year ended 31 December 2025, a summary of the work of the Audit Committee is as follows:

1. reviewing the audited annual results for the year ended 31 December 2024 and the unaudited interim results for the six months ended 30 June 2025, with a recommendation to the Board for approval;
2. reviewing the external auditor’s statutory audit plan and the letters of representation;
3. reviewing the findings and recommendations of the internal auditor;
4. reviewing the Group’s financial and accounting policies and practices;

5. reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, with a recommendation to the Board for the re-appointment of the external auditor at the 2025 AGM;
6. considering and approving the remuneration and terms of engagement letters for the purpose of appointing the external auditor, BTHK, in connection with the statutory audit and review of the results announcements by BTHK; and
7. overseeing and reviewing the effectiveness of the internal control and risk management systems, and the adequacy of the accounting, internal audit and financial reporting function of the Group.

The chairman of the Audit Committee will report the findings and recommendations, if any, to the Board after each meeting.

The consolidated financial statements for the year ended 31 December 2025 were reviewed and recommended by the Audit Committee for the Board's approval for public release.

Nomination Committee

The Nomination Committee was established on 23 March 2005. The Nomination Committee comprises four members, a majority of them being Independent Non-executive Directors, namely:

Mr. Wu Zongchuan (*Chairman*) (*Appointed on 21 May 2025*)

Mr. Liao Nangang (*Chairman*) (*Resigned on 21 May 2025*)

Ms. Chan Ching Yi

Ms. Li Yun (*Appointed on 7 April 2025*)

Mr. Li Wubo (*Appointed on 21 May 2025*)

Ms. Qian Pu (*Resigned on 21 May 2025*)

Mr. Zheng Suijun (*Resigned on 21 May 2025*)

The major duties of the Nomination Committee are to formulate a formal and transparent process for the Company in the appointment of new Directors; to identify and nominate candidates for directorship; to assess the independence of each Independent Non-executive Director; and to make recommendations to the Board on such appointments. The Nomination Committee also reviews the Board structure and composition by considering the benefits of all aspects of diversity, including but not limited to differences in the background, experience, knowledge, expertise and perspectives of members of the Board. The authority and duties of the Nomination Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2025, three committee meetings were held. Attendances of the meetings have been disclosed on page 39 of this annual report.

During the year ended 31 December 2025, a summary of the work of the Nomination Committee is as follows:

1. reviewing and considered that the structure, size, diversity and composition of the Board are appropriate;
2. assessing the independence of independent non-executive Directors;
3. considering and making recommendations to the Board relating to the appointments of Ms. Li Yun and Mr. Li Wubo as independent non-executive Directors;
4. considering and making recommendations to the Board relating to the appointments of Mr. Wu Zongchuan, Mr. Liu Weixiong, Mr. Lyu Zhengjun and Mr. Hang Chu Kwong as executive Directors; and
5. considering and making recommendations to the Board relating to the re-election of the retiring Directors at the 2025 AGM.

Nomination Policy

The Company had adopted a nomination policy on 16 December 2022 (the “**Nomination Policy**”) which aims at assisting the Nomination Committee in identifying and nominating suitable candidates for directorship based on the Board Diversity Policy and sets out the nomination criteria and the nomination procedures for (i) nominating new Director to fill a casual vacancy on the Board; (ii) making recommendation to Shareholders regarding any Director proposed for election or re-election of Director at general meeting; and (iii) nomination by Shareholders on election of new Director.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 23 March 2001. The Remuneration Committee comprises four members, a majority of them being Independent non-executive Directors, namely:

Ms. Chan Ching Yi (*Chairman*) (*Appointed on 21 May 2025*)
Mr. Zheng Suijun (*Chairman*) (*Resigned on 21 May 2025*)
Ms. Li Yun (*Appointed on 7 April 2025*)
Ms. Li Wubo (*Appointed on 21 May 2025*)
Ms. Qian Pu (*Resigned on 21 May 2025*)
Mr. Wu Zongchuan (*Appointed on 21 May 2025*)

The major duties of the Remuneration Committee are to assist the Board to develop and administer fair and transparent procedures for setting remuneration policies of the Directors (including non-executive Directors) and senior management of the Company, and to make recommendations to the Board on the specific remuneration packages of all Directors and senior management of the Company, including benefits-in-kind, pension rights, and compensation payments. The Directors' remuneration is determined by reference to each Director's duties and responsibilities and accountability in the Group as well as the overall performance of the respective company and the Group and the prevailing market situation and competitiveness in the industry. The remuneration packages of the Directors are recommended by the Remuneration Committee and determined by the Board, except that no Director or any of his/her associates and senior management can determine his/her own remuneration. The authority and duties of the Remuneration Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The Remuneration Committee meets at least once a year. During the year ended 31 December 2025, three committee meetings were held. Attendances of the meetings have been disclosed on page 39 of this annual report.

During the year ended 31 December 2025, a summary of the work of the Remuneration Committee is as follows:

1. reviewing the existing remuneration packages and emolument of the Board and senior management; and
2. considering and making recommendations to the Board relating to the remuneration of newly appointed Director(s) (including executive Director(s) and independent non-executive Director(s)).

Remuneration of Members of the Senior Management by Band

Pursuant to code provision E.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2025 is set out below:

Within the band of	Number of individuals
Nil to HKD1,000,000	<u>4</u>

Details of the remuneration of each Director for the year ended 31 December 2025 are set out in note 7 to the consolidated financial statements of this annual report.

Investment and Fund Raising Committee

The Investment and Fund Raising Committee was established on 28 March 2017. The Investment and Fund Raising Committee comprises two members, a majority of them being Executive Directors, namely:

Mr. Wu Zongchuan (*Chairman*) (*Appointed on 21 May 2025*)
Mr. Liao Nangang (*Chairman*) (*Resigned on 21 May 2025*)
Ms. Qian Pu (*Resigned on 21 May 2025*)
Mr. Liu Weixiong (*Appointed on 21 May 2025*)
Mr. Hang Chu Kwong (*Appointed on 21 May 2025 and resigned on 1 September 2025*)
Mr. Lyu Zhengjun (*Appointed on 1 September 2025*)

The Board has established the Investment and Fund Raising Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate investment and treasury strategies; and considering, reviewing, evaluating and making recommendations to the Board on different investment opportunities from time to time proposed by the management team of the Company and its subsidiaries.

During the year ended 31 December 2025, the Investment and Fund Raising Committee meeting was not held.

The Investment and Fund Raising Committee provides recommendation to the Board for the fund-raising activities and investment opportunities for the Company; and reviews annual performances of property and securities investments during the year.

Strategic Committee

The Strategic Committee was established on 28 March 2017. The Strategic Committee comprises two members, a majority of them being Executive Directors, namely:

Mr. Wu Zongchuan (*Chairman*) (*Appointed on 21 May 2025*)
Mr. Liao Nangang (*Chairman*) (*Resigned on 21 May 2025*)
Ms. Qian Pu (*Resigned on 21 May 2025*)
Mr. Liu Weixiong (*Appointed on 21 May 2025*)
Mr. Hang Chu Kwong (*Appointed on 21 May 2025 and resigned on 1 September 2025*)
Mr. Lyu Zhengjun (*Appointed on 1 September 2025*)

The Board established the Strategic Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate long-term development strategy of the Company and its subsidiaries.

During the year ended 31 December 2025, the Strategic Committee meeting was not held.

The Strategic Committee provides recommendations to the Board for the medium-term and long-term strategic development planning for the Company; and reviewed overall performances of the Group during the year.

CORPORATE GOVERNANCE FUNCTION

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Group's policies and practices in compliance with the laws and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and
5. to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

During the year, the Company compiled the existing corporate governance system and dispatched it to the Directors. The Board reviews the corporate governance initiatives of the Group on an annual basis.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board ensures that the publication of the financial statements of the Group is in a timely manner.

The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements. The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Group consolidated financial statements, is set out in the section headed "Independent Auditor's Report" of this annual report.

Material Uncertainty on Going Concern

During the year ended 31 December 2025, the Group recorded a net loss of approximately HKD240,951,000 and as at 31 December 2025, the Group's current liabilities exceed current assets by approximately HKD745,511,000. The Group's total borrowings and interest payables amounted to approximately HKD834,455,000 in aggregate, of which approximately HKD380,570,000 and HKD438,747,000 were overdue for repayment and would be due for repayment within next twelve months from 31 December 2025 respectively, while the Group's total cash and cash equivalents amounted to only approximately HKD10,584,000 as at 31 December 2025. Details are further set out in Note 26 to the consolidated financial statements.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors of the Company have prepared the Group's cash flow projections which cover a period of eighteen months from the end of the reporting period up to 30 June 2027, and are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and meet its financial obligations as they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

As the Auditor has not been able to obtain sufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in preparation of these consolidated financial statements, the Auditor issued the Disclaimer of Opinion, the details of which are described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report as set out on pages 50 to 51 of the Annual Report. The detailed discussion in relation to the Disclaimer of Opinion are disclosed under the "Management Discussion and Analysis" section as set out on pages 9 to 13 of the Annual Report.

Risk Management and Internal Control

During the year, the Group appointed JC Consultancy Services Limited ("**JC Consultancy**") as an external independent professional to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control reviews and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by JC Consultancy to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of JC Consultancy as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information, in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, staff training arrangements, etc.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management and further enhance the Group's internal control and risk management systems as appropriate.

Services	<i>HKD'000</i>
BTHK:	
– Audit service	820
– Other services	305
	1,125
JC Consultancy:	
– Internal control review services	100
	1,225
– Total	1,225

COMPANY SECRETARY

Mr. Sze Kat Man joined the Company as the financial controller of the Company since October 2014, and was appointed as Company Secretary in April 2017. The biographical details of Mr. Sze are set out in the section headed "Directors and Senior Management Profile". During the year ended 31 December 2025, Mr. Sze has complied with Rule 3.29 of the Listing Rules on taking no less than 15 hours of relevant professional training.

DIVIDEND POLICY

The Board has formulated a dividend policy with the aim of enhancing transparency of the Company and facilitating the shareholders and investors to make informed investment decision relating to the Company's shares. The Board shall also take into account the following factors of the Group before considering the declaration and payment of dividends:

- earnings and financial condition;
- operating requirements;
- capital requirements and expenditure plans;
- financial results;
- cash flow situation;
- business conditions and strategies;
- interests of the shareholders of the Company;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The policy will continue to be reviewed from time to time by the Board and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

SHAREHOLDERS' RIGHT

1. Procedures for Convening a Special General Meeting

Pursuant to the Bye-laws of the Company, the Shareholder(s) 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 have rights to require a special general meeting to be called by the Board for the transaction of any business specified in written requisition, which must be signed by the requisitioner(s). The requisition must be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "**Registered Office**") for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Company's principal place of business in Hong Kong at 20/F, One Continental, No. 232 Wan Chai Road, Wan Chai, Hong Kong (the "**Head Office**") for the attention of the Company Secretary.

2. Procedures for Putting Forward Proposals at General Meetings

Pursuant to the Companies Act, the Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the total voting right at general meetings of the Company or not less than one hundred Shareholders may provide a written requisition to the Company stating the resolution intended to be proceeded at the general meeting. The requisition must be deposited at the Registered Office for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Head Office for the attention of the Company Secretary.

Shareholders can also refer to the detailed requirements and procedures as set forth in the relevant sections of the Companies Act and the Bye-laws when making any requisitions or proposals for transaction at the general meetings of the Company. For the details of requirement and procedures for convening a general meeting, putting forward the proposals and/or proposing a person for election at a general meeting are available on the Company's website.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's share registrars. The addresses of the Company's share registrars are set out in the section headed "Corporate Information" of this annual report. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send written enquiries or requests to the Head Office or by fax to (852) 2115 1912 or by email to info@paktakintl.com for the attention of the Company Secretary.

INVESTOR RELATIONS

As always, the Company provides updated information of the Group to all Shareholders when it becomes available and appropriate, through the publication of interim and annual reports, circulars, notices, the Bye-laws or other means in compliance with the legal and regulatory requirements. Such information has been made available on the Company's website at www.paktakintl.com.

The Company acknowledges that general meetings are a good communication channel with Shareholders and encourages the Directors and the members of the Board Committees to attend and answer questions raised by Shareholders at the general meetings.

CONSTITUTIONAL DOCUMENT

There were no changes in the constitutional documents during the year ended 31 December 2025.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the members of Pak Tak International Limited

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Pak Tak International Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 53 to 145, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to appropriateness of the going concern basis of accounting

As set out in Note 2(b) to the consolidated financial statements, during the year ended 31 December 2025, the Group recorded a net loss of approximately HKD240,951,000 and as at 31 December 2025, the Group's current liabilities exceed current assets by approximately HKD745,511,000. The Group's total borrowings and interest payables amounted to approximately HKD834,455,000 in aggregate, of which approximately HKD380,570,000 and HKD438,747,000 were overdue for repayment and would be due for repayment within next twelve months from 31 December 2025 respectively, while the Group's total cash and cash equivalents amounted to only approximately HKD10,584,000 as at 31 December 2025. Details are set out in Notes 2(b) and 26 to the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Scope limitation relating to appropriateness of the going concern basis of accounting *(Continued)*

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of these, the directors of the Company have prepared a cashflow forecast covering eighteen months from the end of the reporting period for the Group's going concern assessment (the "**Cashflow Forecast**") up to 30 June 2027. The validity of the going concern assumption based on which these consolidated financial statements have been prepared depends on the outcome of the measures to improve the Group's liquidity and financial position, i.e. whether (i) negotiation with the relevant creditor of the defaulted loan to reach an agreement to withdraw the civil ruling, maintaining relationship with existing creditors such that no actions are taken to demand immediate repayment of all existing borrowings, and revising the repayment terms to allow settlement by instalments over an extended period of three years will be successful; (ii) shareholders' loan to finance the repayment of the borrowings will be obtained from the substantial shareholder successfully; (iii) financing options and fund-raising activities, including pledging certain investment properties as collateral to obtain additional banking facilities and considering the potential disposal of certain non-current assets held by the Group, with a view to applying the net proceeds towards the settlement of the borrowings and negotiations with an independent financial adviser regarding potential fund-raising activities will be successful; (iv) measures to accelerating the collection of trade receivables from customers will be successfully formulated and implemented; and (v) profits and cash inflows will be generated from the iron ore mining and milling business.

However, we have not been provided with sufficient supporting information of the key assumptions and inputs adopted in the Cashflow Forecast. In particular, in respect of (i) the negotiation with the existing creditors, there was no available documents from management that we considered sufficiently reliable to enable us to assess the status and the likelihood of a successful negotiation with the relevant creditors; (ii) the measure to obtain shareholders' loan from the substantial shareholder, there was no information available from management that we considered sufficiently reliable that enables us to assess the financial position of the substantial shareholder and to evaluate whether the substantial shareholder has sufficient financial viability to provide the aforesaid financial support to the Group. There are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the successful implementation of the plans and measures as scheduled.

In view of the above scope limitation, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in preparation of these consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the Group's assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS AND THE 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine are 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement director on the audit resulting in this independent auditor's report is Leung Yun Wa.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 30 March 2026

Leung Yun Wa

Practising Certificate number P08096

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	2025 HKD'000	2024 HKD'000
Revenue	3	769,205	674,764
Other revenue	4	1,959	600
Other net gains/(losses)	4	238	(3,027)
Fair value loss on investment properties	13	(40,668)	(14,547)
Impairment loss recognised on goodwill	14	(2,824)	(164,648)
Impairment loss recognised on other non-current assets	19	(8,166)	–
Impairment losses under expected credit loss model, net of reversal	19	(85,304)	(4,848)
Direct costs and operating expenses		(718,267)	(640,768)
Administrative expenses		(112,343)	(48,847)
Loss from operations		(196,170)	(201,321)
Finance costs	5(a)	(58,676)	(31,276)
Loss before taxation	5	(254,846)	(232,597)
Income tax credit	6	13,895	3,398
Loss for the year		(240,951)	(229,199)
Attributable to:			
– Equity shareholders of the Company		(238,492)	(229,199)
– Non-controlling interests		(2,459)	–
Loss for the year		(240,951)	(229,199)
		HK cents	HK cents
Loss per share	9		
– Basic and diluted		(4.24)	(4.89)

The notes on pages 60 to 145 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HKD'000	2024 HKD'000
Loss for the year	(240,951)	(229,199)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	27,020	(10,011)
Items that will not be reclassified subsequently to profit or loss:		
– Fair value changes of financial assets at fair value through other comprehensive income, net of nil tax	(3,270)	233
Total comprehensive loss for the year	(217,201)	(238,977)
Attributable to:		
Equity shareholders of the Company	(215,200)	(238,977)
Non-controlling interests	(2,001)	–
	(217,201)	(238,977)

The notes on pages 60 to 145 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 HKD'000	2024 HKD'000
Non-current assets			
Property, plant and equipment	11	657,156	591,556
Right-of-use assets	12	114,522	117,471
Investment properties	13	227,281	255,974
Goodwill	14	–	2,824
Intangible assets	15	204,806	206,402
Deferred tax assets	28(a)	7,749	9,077
Financial assets at fair value through other comprehensive income	16	29,791	162
		<u>1,241,305</u>	<u>1,183,466</u>
Current assets			
Inventories	21	38,085	34,901
Trade and other receivables	18	442,535	568,362
Finance lease receivables	17	–	–
Financial assets at fair value through profit or loss	20	2	29
Restricted cash	22(a)	8,003	6,996
Cash and cash equivalents	22(a)	10,584	21,723
		<u>499,209</u>	<u>632,011</u>
Current liabilities			
Trade payables	23	288,451	194,450
Other payables and accrued charges	24	167,411	101,663
Contract liabilities	25	39,414	56,772
Borrowings	26	746,166	490,321
Lease liabilities	27	3,119	2,979
Tax payable		159	1,873
		<u>1,244,720</u>	<u>848,058</u>
Net current liabilities		<u>(745,511)</u>	<u>(216,047)</u>
Total assets less current liabilities		<u>495,794</u>	<u>967,419</u>
Non-current liabilities			
Borrowings	26	15,138	254,366
Lease liabilities	27	7,319	11,690
Deferred tax liabilities	28(a)	74,864	86,243
Provision for rehabilitation	29	11,471	10,917
		<u>108,792</u>	<u>363,216</u>
NET ASSETS		<u>387,002</u>	<u>604,203</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 HKD'000	2024 HKD'000
CAPITAL AND RESERVES			
Share capital	30(c)	112,600	112,600
Reserves		265,977	481,177
		378,577	593,777
Non-controlling interests		8,425	10,426
TOTAL EQUITY		387,002	604,203

Approved and authorised for issue by the board of directors on 30 March 2026.

Wu Zongchuan
DIRECTOR

Lyu Zhengjun
DIRECTOR

The notes on pages 60 to 145 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to equity shareholders of the Company					Sub-total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Fair value reserve HKD'000	Exchange reserve HKD'000	Accumulated losses HKD'000			
At 1 January 2024	93,600	539,430	(75,888)	(23,262)	(166,626)	367,254	–	367,254
Changes in equity for the year ended 31 December 2024:								
Loss for the year	–	–	–	–	(229,199)	(229,199)	–	(229,199)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	–	–	–	(10,011)	–	(10,011)	–	(10,011)
Fair value gain of financial assets at fair value through other comprehensive income, net of nil tax	–	–	233	–	–	233	–	233
Total comprehensive loss for the year	–	–	233	(10,011)	(229,199)	(238,977)	–	(238,977)
Issue of ordinary shares, net of direct transaction cost (Note 30(c))	19,000	446,500	–	–	–	465,500	–	465,500
Non-controlling interests arising from acquisition of subsidiaries (Note 31)	–	–	–	–	–	–	10,426	10,426
At 31 December 2024	112,600	985,930	(75,655)	(33,273)	(395,825)	593,777	10,426	604,203
At 1 January 2025	112,600	985,930	(75,655)	(33,273)	(395,825)	593,777	10,426	604,203
Changes in equity for the year ended 31 December 2025:								
Loss for the year	–	–	–	–	(238,492)	(238,492)	(2,459)	(240,951)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	–	–	–	26,562	–	26,562	458	27,020
Fair value changes of financial assets at fair value through other comprehensive income, net of nil tax	–	–	(3,270)	–	–	(3,270)	–	(3,270)
Total comprehensive loss for the year	–	–	(3,270)	26,562	(238,492)	(215,200)	(2,001)	(217,201)
At 31 December 2025	112,600	985,930	(78,925)	(6,711)	(634,317)	378,577	8,425	387,002

The notes on pages 60 to 145 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 HKD'000	2024 HKD'000
Operating activities			
Loss before taxation		(254,846)	(232,597)
Adjustments for:			
– Interest income	4	(23)	(159)
– Fair value loss of financial assets at fair value through profit or loss	4	5	136
– Fair value loss on investment properties	13	40,668	14,547
– Loss on disposal of property, plant and equipment	4	392	3,090
– Gain on disposal of subsidiaries	4	(96)	(199)
– Write-back of trade payables	4	(1,138)	–
– Gain on early termination of leases	4	(539)	–
– Depreciation on property, plant and equipment	5(c)	47,782	5,277
– Depreciation on right-of-use assets	5(c)	6,337	4,097
– Impairment loss recognised on goodwill	14	2,824	164,648
– Impairment loss recognised on other non-current assets	19	8,166	–
– Amortisation on intangible assets	5(c)	10,136	311
– Finance costs	5(a)	58,676	31,276
– Reversal of expected credit loss allowance on finance lease receivables	5(c)	(1,880)	–
– Loss allowance for expected credit loss on trade receivables	5(c)	80,285	4,880
– Loss allowance for/(reversal of) expected credit loss on other receivables	5(c)	6,899	(32)
– Exchange realignment		(155)	(399)
Operating profit/(loss) before changes in working capital		3,493	(5,124)
(Increase)/decrease in inventories		(1,358)	289
Decrease/(increase) in trade and other receivables		63,485	(19,387)
Decrease in finance lease receivables		1,880	–
Increase/(decrease) in trade payables		47,386	(18,352)
Increase/(decrease) in other payables and accrued charges		6,688	(12,242)
(Decrease)/increase in contract liabilities		(19,715)	838
Cash generated from/(used in) operations		101,859	(53,978)
Tax paid:			
– People's Republic of China ("PRC") tax paid		(1,714)	–
Interest received		23	159
Net cash generated from/(used in) operating activities		100,168	(53,819)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 HKD'000	2024 HKD'000
Investing activities			
Purchase of property, plant and equipment		(52,509)	(3,073)
Purchase of intangible assets		–	(53)
Purchase of financial assets at fair value through profit or loss		(2,224)	(5,331)
Purchase of financial assets at fair value through other comprehensive income		(32,092)	–
Proceeds from disposal of listed equity securities included in financial assets at fair value through profit or loss		2,230	5,299
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	1,549
Increase in restricted cash		(1,007)	–
Net cash inflow on acquisition of subsidiaries	31	–	115
Net cash (outflow)/inflow on disposal of subsidiaries	32	(58)	1,705
Net cash (used in)/generated from investing activities		(85,660)	211
Financing activities			
Capital element of lease rental paid	22(b)	(2,848)	(2,987)
Interest element of lease rental paid	22(b)	(549)	(718)
Proceeds from borrowings	22(b)	32,215	1,000
Repayment of borrowings	22(b)	(25,093)	(7,091)
Interest paid	22(b)	(30,152)	(1,944)
Payment for acquisition of additional interest in a subsidiary		–	3,218
Net cash used in financing activities		(26,427)	(8,522)
Net decrease in cash and cash equivalents		(11,919)	(62,130)
Cash and cash equivalents at beginning of the year		21,723	85,362
Effect of foreign exchange rate changes		780	(1,509)
Cash and cash equivalents at end of the year	22(a)	10,584	21,723

Significant non-cash transactions

During the year ended 31 December 2025, one of the other loans (“Other loan 1”) together with accrued interests of approximately HKD28,773,000 was settled through realisation of the collaterals owned by independent third parties. Details are set out in Note 26(b).

The notes on pages 60 to 145 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL

Pak Tak International Limited (“**the Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong was 20/F, One Continental, No. 232 Wan Chai Road, Wan Chai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the supply chain business, property investment, hotel management and catering service, and iron ore mining and milling.

The consolidated financial statements of the Company and its subsidiaries (the “**Group**”) are presented in Hong Kong dollars (“**HKD**”) which is same as the functional currency of the Company. The consolidated financial statements are presented in the nearest thousand (HKD’000) unless otherwise stated.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amended 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 period reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see Note 2(h)); and
- investments in equity securities (see Note 2(g)).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 37.

Going concern assumption

During the year ended 31 December 2025, the Group recorded a net loss of approximately HKD240,951,000 and as at 31 December 2025, the Group's current liabilities exceed current assets by approximately HKD745,511,000. The Group's total borrowings and interest payables amounted to approximately HKD834,455,000 in aggregate, of which approximately HKD380,570,000 and HKD438,747,000 were overdue for repayment and would be due for repayment within next twelve months from 31 December 2025 respectively, while the Group's total cash and cash equivalents amounted to only approximately HKD10,584,000 as at 31 December 2025. Details are further set out in Note 26 to the consolidated financial statements.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of these, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group has been actively negotiating with the relevant creditor of the defaulted loan to reach an agreement to withdraw the civil ruling, maintaining relationship with existing creditors such that no actions are taken to demand immediate repayment of all existing borrowings and revising the repayment terms to allow settlement by instalments over an extended period of three years;

2. MATERIAL ACCOUNTING POLICIES *(Continued)***(b) Basis of preparation of the consolidated financial statements** *(Continued)**Going concern assumption (Continued)*

- (ii) The substantial shareholder of the Company has agreed in writing to provide sufficient fundings to the Group by way of a shareholder's loan with the payment schedule or to be mutually agreed based on the Company's actual repayment obligations, to finance the repayment of the borrowings;
- (iii) The Group continues to evaluate financing options and fund-raising activities, including pledging certain investment properties as collateral to obtain additional banking facilities and considering the potential disposal of certain non-current assets, with a view to applying the net proceeds towards the settlement of borrowings and negotiations with an independent financial adviser regarding potential fund-raising activities;
- (iv) The Group has been actively formulating and implementing measures with a view to accelerating the collection of trade receivables from customers; and
- (v) The Group will continue to closely monitor the operational and financial performance of its newly acquired iron ore mining and milling business segment, with a view to enhancing profitability and cash inflows to support the Group's overall liquidity position.

The directors of the Company have prepared the Group's cash flow projections which cover a period of eighteen months from the end of the reporting period up to 30 June 2027, and are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and meet its financial obligations as they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve the plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the following:

- (i) Successful negotiation with the relevant creditor of the defaulted loan to reach an agreement to withdraw the civil ruling, maintaining relationship with existing creditors such that no actions are taken to demand immediate repayment of existing borrowings, and revising the repayment terms to allow settlement by instalments over an extended period of three years;
- (ii) Successfully obtaining fundings from the substantial shareholder of the Company by way of shareholders' loan to finance the repayment of the existing loans;

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

Going concern assumption (Continued)

- (iii) Successfully obtaining additional banking facilities and sufficient cash flows by fund-raising activities and by pledging certain of the Group's commercial properties and disposal of certain non-current assets held by the Group to repay the existing loans;
- (iv) Successfully collecting substantial payments from customers; and
- (v) Successfully generating profits and cash inflows from the iron ore mining and milling business.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, the effects of changes in foreign exchange rates – Lack of exchangeability issued by the HKICPA to these consolidated financial statements for the current accounting period. The amendments do not have a material impact on these consolidated financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 41).

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

2. MATERIAL ACCOUNTING POLICIES *(Continued)***(d) Subsidiaries and non-controlling interests** *(Continued)*

For each business combination, the Group can elect to measure any non-controlling interests (“**NCI**”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and 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 NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(k)(iii)).

(e) Business combinations and goodwill

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses 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 incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)(iii)).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets (other than goodwill)

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

Subsequent to initial recognition, mining rights with definite estimated useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Mining rights are amortised in accordance with the proved and probable reserves of the iron mines using the units of production method.

Other intangible asset (i.e. computer software) that are acquired by the Group and have finite estimated useful lives are measured at cost less accumulated amortisation using straight line method over 5 – 10 years and any accumulated impairment losses (see Note (2)(k)(iii)).

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 33(g). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(u)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES *(Continued)***(g) Investments in securities** *(Continued)**(i) Non-equity investments (Continued)*

- fair value through other comprehensive income (“**FVOCI**”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the equity investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other revenue.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss. Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with Note 2(u)(ii)(b).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

The items of property, plant and equipment (other than construction in progress as described below) are stated at cost, less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(iii)). Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy (see Note 2(w)). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment (other than mining structure and construction in progress) less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	20% or over the remaining term of the relevant leases, whichever is shorter
Property held for own use	Over the remaining estimated useful life
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 25%
Plant and machinery	10% to 33%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Mining structures are infrastructures which include mainly the main and auxiliary mine shafts, underground tunnels and other mining costs recognised for the future economic benefits of the operation. Mining structure in the course of development or construction are included in construction in progress and are not depreciated. Capitalised mining structure costs are depreciated once commercial production commences, as described in mining structure below.

Depreciation for mining structure (other than construction in progress) is calculated using the unit of production method over the remaining life of the mine. The life of the mine is based on the total estimated proven and probable reserves of the iron mines.

The management reviews the estimated total recoverable iron mines contained in proven and probable reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable iron mines contained in proven and probable reserves are accounted for prospectively.

2. MATERIAL ACCOUNTING POLICIES *(Continued)***(j) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

(i) As a lessor

The Group 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 asset to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(u)(ii)(b).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(ii), then the Group classifies the sub-lease as an operating lease.

(ii) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised using the effective interest method.

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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(ii) As a lessee *(Continued)*

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(iii)). Right-of-use asset is depreciated on a straight-line basis over the shorter of its expected useful life and the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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 reporting period.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and finance lease receivables

The Group recognised a loss allowance for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash and trade and other receivables); and
- finance lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and finance lease receivables *(Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following discount rates if the effect is material:

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and finance lease receivables *(Continued)*

Significant increase in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor 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
- the financial asset is 90 days past due.

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 instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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 difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and finance lease receivables *(Continued)*

Write-off policy

The gross carrying amount of a financial asset or finance lease receivables is written off 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.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “**holder**”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(iii) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs of inventories are determined on the following bases:

- Food and beverages from the hotel management and catering services are valued on first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition;
- Materials, iron ore concentrate and sailing sand and auxiliary goods from the mining operation are valued on weighted average basis and comprises 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.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(w).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Contract liabilities

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, 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 (see Note 2(k)(i)).

(r) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) *Defined benefit plan obligations*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For long service payment obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Provision for rehabilitation

The mining extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials and restoration; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision.

Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other revenue recognition

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 with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including sales of goods that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

(a) Sales of goods

Revenue from sales of goods from supply chain business and iron ore mining and milling is recognised when the control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Hotel management and catering services

Revenue from food and beverage sales is recognised at the point in time when the services are rendered. Hotel room service income from room rental is recognised over time during the period of stay for the hotel guests. Revenue in respect of hotel management services is recognised over time during the period when management services are delivered to the hotels.

(c) Handling fee income

Handling fee income is recognised when services are provided.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other revenue recognition *(Continued)*

(ii) Revenue from other sources and other income *(Continued)*

(b) Rental income from operating leases

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(v) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into HKD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into HKD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) 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.

(x) Segment reporting

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

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

3. REVENUE

Revenue represents net sale value of goods supplied to customers, service income from different segments, interest income and rental income, net of discounts and related value added tax or other taxes, and is analysed as follows:

	2025 HKD'000	2024 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines (Note)		
– Sales of goods from supply chain business	455,391	573,068
– Sales of goods from iron ore mining and milling	237,119	–
– Sales of food and beverage products from hotel management and catering services	64,804	79,792
– Management fee income from hotel management services	4,883	10,718
– Handling fee income from supply chain financing arrangements	–	219
	<u>762,197</u>	<u>663,797</u>
Revenue from other sources		
Interest income from supply chain financing arrangements	568	2,619
Gross rentals from investment properties		
– Lease payment that are fixed	5,827	6,654
Rental income from sublease	613	1,694
	<u>7,008</u>	<u>10,967</u>
	<u>769,205</u>	<u>674,764</u>

Note: The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

	2025 HKD'000	2024 HKD'000
Other revenue		
Interest income	23	159
Bad debts recovered	527	–
Write-back of trade payables	1,138	–
Sundry income	271	441
	<u>1,959</u>	<u>600</u>
Other net gains/(losses)		
Loss on disposal of property, plant and equipment	(392)	(3,090)
Gain on early termination of leases	539	–
Gain on disposal of subsidiaries (Note 32)	96	199
Fair value loss of financial assets at fair value through profit or loss	(5)	(136)
	<u>238</u>	<u>(3,027)</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging/(crediting):

	2025 HKD'000	2024 HKD'000
(a) Finance costs:		
Interest on borrowings	58,127	30,558
Interest on lease liabilities	549	718
	<u>58,676</u>	<u>31,276</u>
(b) Staff costs (including directors' emoluments in Note 7):		
Salaries, wages, bonus and allowances	55,806	44,910
Contributions to defined contribution retirement plans (Note)	5,884	5,738
Staff welfare and benefits	12,441	3,830
	<u>74,131</u>	<u>54,478</u>

Note: 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.

5. LOSS BEFORE TAXATION *(Continued)*

Loss before taxation is arrived after charging/(crediting): *(Continued)*

	2025 HKD'000	2024 HKD'000
(c) Other items:		
Amortisation on intangible assets	10,136	311
Auditor's remuneration		
– audit services	820	1,130
– other services	305	700
Cost of inventories sold from supply chain business	454,297	566,513
Cost of inventories consumed from hotel management and catering services	24,253	27,379
Cost of inventories sold from iron ore mining and milling	196,283	–
Depreciation on property, plant and equipment	47,782	5,277
Depreciation on right-of-use assets	6,337	4,097
Expenses relating to short-term leases	2,563	3,630
Provision for ECL allowance on trade receivables	80,285	4,880
Provision for/(reversal of) ECL allowance on other receivables	6,899	(32)
Reversal of ECL allowance on finance lease receivables	(1,880)	–

6. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 HKD'000	2024 HKD'000
Current tax – the PRC Enterprise Income Tax		
– Current income tax	–	554
Deferred tax (Note 28(a))		
– the PRC	(13,895)	(3,952)
Income tax (credit)/expense	(13,895)	(3,398)

Hong Kong Profits Tax is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated or domiciled in Hong Kong have no assessable profits or sustained tax losses for taxation purpose for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. INCOME TAX (Continued)

(a) (Continued)

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. No provision for the PRC Enterprise Income Tax has been made for the year ended 31 December 2025 as the PRC subsidiaries sustained tax losses for taxation purpose or have sufficient tax losses to set off estimated assessable income for the year.

(b) Reconciliation between the income tax (credit)/expense and accounting loss at the applicable tax rates:

	2025 HKD'000	2024 HKD'000
Loss before taxation	<u>(254,846)</u>	<u>(232,597)</u>
Notional tax on results before taxation, calculated at the rates applicable to profit in jurisdictions concerned	(62,255)	(56,913)
Tax effect of expenses not deductible for tax purposes	6,286	4,925
Tax effect of income not taxable	(16)	(475)
Tax effect of tax losses not recognised	20,206	3,864
Tax effect of utilisation of tax losses previously not recognised	(190)	–
Tax effect of temporary differences not recognised	<u>22,074</u>	<u>45,201</u>
Income tax credit	<u>(13,895)</u>	<u>(3,398)</u>

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the Listing Rules are as follows:

	Directors' fees		Salaries, allowances and benefits in kind		Discretionary bonus		Retirement scheme contributions		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors										
Wu Zongchuan (<i>chairman and chief executive officer</i>) (appointed on 21 May 2025)	-	-	-	-	-	-	-	-	-	-
Liu Weixiong (appointed on 21 May 2025)	-	-	510	-	-	-	-	-	510	-
Lyu Zhengjun (appointed on 21 May 2025)	-	-	751	-	102	-	24	-	877	-
Liao Nangang (resigned on 21 May 2025)	-	-	-	-	-	-	-	-	-	-
Qian Pu (resigned on 21 May 2025)	-	-	782	1,580	-	108	75	83	857	1,771
Wang Jian (resigned on 31 March 2025)	-	-	61	260	-	-	4	13	65	273
Zhou Yijie (appointed on 1 February 2024 and resigned on 21 May 2025)	-	-	279	715	-	-	7	17	286	732
Ning Jie (resigned on 1 February 2024)	-	-	-	30	-	-	-	2	-	32
Non-executive directors										
Hang Chu Kwong (appointed as executive director on 21 May 2025 and redesignated as non-executive director on 1 September 2025)	40	-	257	-	-	-	9	-	306	-
Liu Xiaowei (resigned on 21 May 2025)	-	-	139	390	-	-	3	18	142	408
Independent non-executive directors										
Chan Ching Yi, Yvonne	120	120	-	-	-	-	-	-	120	120
Li Yun (appointed on 7 April 2025)	88	-	-	-	-	-	-	-	88	-
Li Wubo (appointed on 21 May 2025)	74	-	-	-	-	-	-	-	74	-
Zheng Suijun (resigned on 21 May 2025)	46	120	-	-	-	-	-	-	46	120
Chan Kin Sang (resigned on 31 December 2024)	-	120	-	-	-	-	-	-	-	120
	368	360	2,779	2,975	102	108	122	133	3,371	3,576

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2024: two directors), details of whose remuneration are set out in Note 7. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2025 HKD'000	2024 HKD'000
Salaries and other emoluments	3,450	4,581
Discretionary bonus	165	288
Retirement scheme contributions	193	246
	<u>3,808</u>	<u>5,115</u>

The number of the five highest paid employees where remuneration fell within the following bands is as follows:

	No. of individuals	
	2025 HKD'000	2024 HKD'000
Nil – HKD1,000,000	5	3
HKD1,000,001 – HKD1,500,000	–	1
HKD1,500,001 – HKD2,000,000	–	1
	<u>5</u>	<u>5</u>

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the year.

	2025 HKD'000	2024 HKD'000
Loss		
Loss attributable to equity shareholders of the Company	<u>(238,492)</u>	<u>(229,199)</u>
Number of shares		
Weighted average number of ordinary shares in issue	<u>5,630,000</u>	<u>4,682,596</u>

Basic loss per share is the same as diluted loss per share as the Company has no dilutive potential shares.

10. SEGMENT REPORTING

(a) Operating segment

Information reported to the executive directors of the Company, being the chief operating decision-maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2024, the Group commenced the business engaging in iron ore mining and milling along with the acquisition of Zongchuan Investment Group Co., Limited (“**Zongchuan Investment**”) (as detailed in Note 31), and it is considered as a new operating and reportable segment by the CODM.

Specifically, the Group’s reportable segments under HKFRS 8 Operating Segments are as follows:

- (i) Supply chain business;
- (ii) Property investment;
- (iii) Hotel management and catering services; and
- (iv) Iron ore mining and milling.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

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

Year ended 31 December 2025	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition						
Point in time	455,391	–	64,804	237,119	–	757,314
Over time	568	1,274	10,049	–	–	11,891
Revenue from external customers	<u>455,959</u>	<u>1,274</u>	<u>74,853</u>	<u>237,119</u>	<u>–</u>	<u>769,205</u>
Segment (loss)/profit	<u>(94,700)</u>	<u>(22,539)</u>	<u>(17,334)</u>	<u>(52,643)</u>	<u>1,165</u>	<u>(186,051)</u>
Reconciliation:						
Interest income						23
Corporate and other unallocated expenses						(12,174)
Finance costs						(58,676)
Gain on disposal of a subsidiary						96
Other revenue						<u>1,936</u>
Loss before taxation						<u>(254,846)</u>
Income tax credit						<u>13,895</u>
Loss for the year						<u>(240,951)</u>

10. SEGMENT REPORTING *(Continued)*

(a) Operating segment *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segments: *(Continued)*

Year ended 31 December 2024	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition						
Point in time	573,287	–	79,792	–	–	653,079
Over time	2,619	2,632	16,434	–	–	21,685
Revenue from external customers	<u>575,906</u>	<u>2,632</u>	<u>96,226</u>	<u>–</u>	<u>–</u>	<u>674,764</u>
Segment loss	<u>(12,180)</u>	<u>(7,602)</u>	<u>(1,061)</u>	<u>(164,648)</u>	<u>(793)</u>	<u>(186,284)</u>
Reconciliation:						
Interest income						159
Corporate and other unallocated expenses						(15,637)
Finance costs						(31,276)
Other revenue						441
Loss before taxation						(232,597)
Income tax credit						3,398
Loss for the year						<u>(229,199)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, interest income, finance costs and other revenue.

This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

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

At 31 December 2025	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others HKD'000	Total HKD'000
Segment assets	<u>384,106</u>	<u>147,716</u>	<u>126,437</u>	<u>1,039,911</u>	<u>457</u>	1,698,627
Reconciliation:						
Deferred tax assets						7,749
Corporate and other unallocated assets						<u>34,138</u>
Total assets						<u>1,740,514</u>
Segment liabilities	<u>472,438</u>	<u>18,294</u>	<u>39,226</u>	<u>719,240</u>	<u>7,274</u>	1,256,472
Reconciliation:						
Deferred tax liabilities						74,864
Corporate and other unallocated liabilities						<u>22,176</u>
Total liabilities						<u>1,353,512</u>

10. SEGMENT REPORTING *(Continued)*

(a) Operating segment *(Continued)*

The following is an analysis of the Group's assets and liabilities by reportable segments: *(Continued)*

At 31 December 2024	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others HKD'000	Total HKD'000
Segment assets	<u>489,857</u>	<u>162,487</u>	<u>175,523</u>	<u>968,286</u>	<u>5,757</u>	1,801,910
Reconciliation:						
Deferred tax assets						9,077
Corporate and other unallocated assets						<u>4,490</u>
Total assets						<u>1,815,477</u>
Segment liabilities	<u>430,122</u>	<u>19,975</u>	<u>49,154</u>	<u>606,878</u>	<u>10,441</u>	1,116,570
Reconciliation:						
Deferred tax liabilities						86,243
Corporate and other unallocated liabilities						<u>8,461</u>
Total liabilities						<u>1,211,274</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and corporate and other unallocated assets;
- goodwill is allocated to operating segments; and
- all liabilities are allocated to operating segments other than deferred tax liabilities and corporate and other unallocated liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

The following is an analysis of the Group's other segment information by reportable segments:

Year ended 31 December 2025	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others and unallocated HKD'000	Total HKD'000
Other information						
Additions to non-current segment assets	20	–	273	87,724	2,718	<u>90,735</u>
Depreciation and amortisation	46	3	6,601	55,799	1,806	<u>64,255</u>
Impairment loss on goodwill	–	–	–	2,824	–	<u>2,824</u>
Impairment loss on other non-current assets	–	–	–	8,166	–	<u>8,166</u>
Provision for/(reversal of) ECL allowances, net	85,909	1,322	2,425	(2,472)	(1,880)	<u>85,304</u>
Year ended 31 December 2024	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Iron ore mining and milling HKD'000	Others and unallocated HKD'000	Total HKD'000
Other information						
Additions to non-current segment assets	12	–	468	1,052,724	6,466	<u>1,059,670</u>
Depreciation and amortisation	60	3	7,789	–	1,833	<u>9,685</u>
Impairment loss on goodwill	–	–	–	164,648	–	<u>164,648</u>
Provision for/(reversal of) ECL allowances, net	5,503	52	(707)	–	–	<u>4,848</u>

10. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group's revenue from external customers is wholly derived from the PRC.

The Group's information about its non-current assets (excluding goodwill, financial assets at fair value through other comprehensive income and deferred tax assets) by geographic location is as follows:

	2025 HKD'000	2024 HKD'000
The PRC	1,200,746	1,169,410
Hong Kong	3,019	1,993
	<u>1,203,765</u>	<u>1,171,403</u>

(c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue, is set out below:

	2025 HKD'000	2024 HKD'000
<u>Supply chain business</u>		
Customer A	–	127,714
Customer B	–	209,886
<u>Iron ore mining and milling business</u>		
Customer C	<u>198,918</u>	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HKD'000	Mining structure HKD'000	Plant and machinery HKD'000	Leasehold improvements HKD'000	Property held for own-use HKD'000	Furniture, fixtures and equipment HKD'000	Motor vehicles HKD'000	Total HKD'000
Cost								
At 1 January 2024	-	-	-	23,357	-	6,264	197	29,818
Exchange realignment	-	-	-	(658)	-	(132)	(6)	(796)
Additions	-	-	-	2,596	-	477	-	3,073
Disposals/written-offs	-	-	-	(5,671)	-	(3,273)	-	(8,944)
Acquired on acquisition of subsidiaries (Note 31)	70,262	295,756	97,560	-	112,973	571	4,358	581,480
At 31 December 2024 and 1 January 2025	70,262	295,756	97,560	19,624	112,973	3,907	4,549	604,631
Exchange realignment	5,865	15,149	5,151	895	5,798	166	232	33,256
Additions	84,405	-	2,882	163	393	174	-	88,017
Transfer	(3,316)	-	3,316	-	-	-	-	-
Disposals/written-offs	-	-	(703)	-	(11)	(280)	(20)	(1,014)
At 31 December 2025	157,216	310,905	108,206	20,682	119,153	3,967	4,761	724,890
Accumulated depreciation and impairment								
At 1 January 2024	-	-	-	11,921	-	2,033	153	14,107
Exchange realignment	-	-	-	(396)	-	(55)	(4)	(455)
Depreciation provided for the year	-	-	-	4,011	-	1,265	1	5,277
Disposals/written-offs	-	-	-	(4,994)	-	(860)	-	(5,854)
At 31 December 2024 and 1 January 2025	-	-	-	10,542	-	2,383	150	13,075
Exchange realignment	-	394	492	640	217	95	95	1,933
Depreciation provided for the year	-	14,094	18,080	3,901	7,775	786	3,146	47,782
Impairment loss recognised for the year	1,333	2,513	764	-	943	2	11	5,566
Disposals/written-offs	-	-	(485)	-	(2)	(116)	(19)	(622)
At 31 December 2025	1,333	17,001	18,851	15,083	8,933	3,150	3,383	67,734
Net carrying amount								
At 31 December 2025	155,883	293,904	89,355	5,599	110,220	817	1,378	657,156
At 31 December 2024	70,262	295,756	97,560	9,082	112,973	1,524	4,399	591,556

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

Certain owned properties are erected on land in the PRC with respect to which the Group has not been granted formal title of ownership. At 31 December 2025, the net carrying amount of such owned properties was RMB98,905,000 (equivalent to HKD110,220,000) (2024: RMB106,588,000 (equivalent to HKD112,973,000)). The directors of the Company consider that the absence of formal title to these owned properties does not impair the value of the relevant owned properties to the Group as the Group has paid substantially the full purchase consideration of these land use rights and the probability of being evicted on the ground of an absence of formal title is remote. The director of the Company believes that formal title of these owned properties will be granted to the Group in due course.

During the year ended 31 December 2025, the management of the Group identified that the performance of iron ore mining and milling segment was worse than expected due to a slight lag in exploration progress and concluded that there was impairment indicator. As at 31 December 2025, the carrying amount of property, plant and equipment subject to impairment assessment were approximately HKD650,956,000 (2024: Nil), after taking into account the impairment losses of approximately HKD5,566,000 (2024: Nil) in respect of property, plant and equipment that have been recognised. Details of the basis of assessment of impairment are set out in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. RIGHT-OF-USE ASSETS

	Land-use rights	Leased properties	Total
	HKD'000	HKD'000	HKD'000
	(Note (b))	(Note (a))	
Cost			
At 1 January 2024	–	27,041	27,041
Acquired on acquisition of subsidiaries (Note 31)	97,976	–	97,976
Additions (Note (a))	–	3,820	3,820
Derecognition	–	(1,413)	(1,413)
Exchange realignment	–	(864)	(864)
	<u>97,976</u>	<u>28,584</u>	<u>126,560</u>
At 31 December 2024 and 1 January 2025	97,976	28,584	126,560
Additions (Note (a))	–	2,718	2,718
Derecognition	–	(6,202)	(6,202)
Exchange realignment	5,018	1,202	6,220
	<u>102,994</u>	<u>26,302</u>	<u>129,296</u>
At 31 December 2025	102,994	26,302	129,296
Accumulated depreciation and impairment			
At 1 January 2024	–	6,660	6,660
Depreciation charge for the year	–	4,097	4,097
Written-offs	–	(1,413)	(1,413)
Exchange realignment	–	(255)	(255)
	<u>–</u>	<u>9,089</u>	<u>9,089</u>
At 31 December 2024 and 1 January 2025	–	9,089	9,089
Depreciation charge for the year	2,512	3,825	6,337
Impairment loss recognised for the year	851	–	851
Written-offs	–	(2,131)	(2,131)
Exchange realignment	129	499	628
	<u>3,492</u>	<u>11,282</u>	<u>14,774</u>
At 31 December 2025	3,492	11,282	14,774
Net carrying amount			
At 31 December 2025	<u>99,502</u>	<u>15,020</u>	<u>114,522</u>
At 31 December 2024	<u>97,976</u>	<u>19,495</u>	<u>117,471</u>

12. RIGHT-OF-USE ASSETS (Continued)

The analysis of net carrying amount of right-of-use assets by class of underlying asset is as follows:

	2025 HKD'000	2024 HKD'000
Land	99,502	97,976
Offices	3,161	4,688
Restaurants	11,859	14,807
	114,522	117,471

The analysis of items in relation to leases recognised in profit or loss is as follows:

	2025 HKD'000	2024 HKD'000
Depreciation on right-of-use assets (Note 5(c))	6,337	4,097
Interest on lease liabilities (Note 5(a))	549	718
Gain on early termination of leases (Note 4)	539	–
Total cash outflow for leases		
– Within operating cash flows (Note 5(c))	2,563	3,630
– Within financing cash flows	3,397	3,705

Note:

- (a) During the year ended 31 December 2025, the addition of right-of-use assets resulting from new lease entered for its office in Hong Kong amounted to approximately HKD2,718,000 (2024: HKD3,820,000) and the lease run for a period of 2 years (2024: 3 years).

As at 31 December 2025, the leases of offices and restaurants contain minimum annual lease payment terms that are fixed. These payment terms are common in the PRC where the Group operates. For the year ended 31 December 2025, the Group has obtained the right to use properties as its offices, restaurants and a plant through tenancy agreements, the leases typically run for a period of 1 to 10 years (2024: 1 to 10 years).

- (b) It represents leasehold land situated in the PRC under medium-term leases. The Group owns several industrial buildings where its staff quarters and manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.
- (c) During the year ended 31 December 2025, the management of the Group identified that the performance of iron ore mining and milling segment was worse than expected due to a slight lag in exploration progress and concluded that there was impairment indicator. As at 31 December 2025, the carrying amount of right-of-use assets subject to impairment assessment were approximately HKD99,502,000 (2024: Nil), after taking into account the impairment losses of approximately HKD851,000 (2024: Nil) in respect of right-of-use assets that have been recognised. Details of the basis of assessment of impairment are set out in Note 14.

13. INVESTMENT PROPERTIES

	2025 HKD'000	2024 HKD'000
At the beginning of the year	255,974	279,418
Exchange realignment	11,975	(8,897)
Fair value loss	(40,668)	(14,547)
At the end of the year	<u>227,281</u>	<u>255,974</u>

The investment properties are situated in the PRC and are held under medium-term leases. The Group leases out shops and a commercial building, which mainly comprises shops and hotel rooms, situated at two different locations in the PRC under operating leases.

As at 31 December 2025 and 2024, certain investment properties were pledged to bank for loans granted to the Group (see Notes 26(a) and 35).

(a) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair values of the shops and the commercial building at the end of the reporting period have been arrived at on the basis of valuation performed by 深圳市國正信資產評估土地房地產估價有限公司 and International Valuation Limited respectively, independent qualified professional property valuers ("**Property Valuers**") not connected with the Group, with recent experience in the location and category of property being valued. The management has discussion with the Property Valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair value of the shops is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a discount specific to the quality and location of the properties compared to the recent sales, and are therefore grouped into Level 3 of fair value measurement.

13. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurement of the Group's investment properties *(Continued)*

The commercial building was acquired through acquisition of subsidiaries on 1 April 2022. At the acquisition date, a portion of the building was classified as an investment property for it being leased out to earn rentals, while the rest of the building was classified as property held for own-use for it being used to run a hotel business. As at 31 December 2022, the Group leased the entire commercial building to an independent third party with an initial term of 8 years and therefore the entire commercial building was transferred to and classified as an investment property.

The income capitalisation approach estimates the fair value of the building on an open market basis by capitalising rental income having regard to the current net passing rental income from existing tenancy and potential future reversionary income at the market level. The term value involves the capitalisation of the current net passing rental income over the existing lease term on a fully leased basis. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised by adopting appropriate occupancy rates. In this approach, the independent qualified professional valuer has considered the term yield and reversionary yield. The term yield is used for capitalisation of the current net passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income. The fair value of the commercial building therefore grouped into Level 3 of fair value measurement.

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 for both reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2025 HKD'000	2024 HKD'000
Shops		
At the beginning of the year	158,444	173,087
Exchange realignment	7,495	(5,509)
Fair value loss	<u>(22,238)</u>	<u>(9,134)</u>
At the end of the year	<u>143,701</u>	<u>158,444</u>
A commercial building		
At the beginning of the year	97,530	106,331
Exchange realignment	4,480	(3,388)
Fair value loss	<u>(18,430)</u>	<u>(5,413)</u>
At the end of the year	<u>83,580</u>	<u>97,530</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurement of the Group's investment properties *(Continued)*

Information about Level 3 fair value measurements

Description of investment properties	Valuation technique	Significant unobservable inputs	Range	Sensitivity
Shops	Direct comparison approach	i) Selling price of similar properties in the nearest locality	RMB4,400/m ² to RMB8,100/m ² (2024: RMB5,000/m ² to RMB9,300/m ²)	The higher the selling price of similar properties in the nearest locality used, the higher the fair value
		ii) Adjustment to price per square meter in relation to quality of properties (e.g. location, size, level and condition with reference to comparables)	-3.9% to 0.1% (2024:-2.1% to 6.4%)	The higher the adjustment factor, the higher the fair value
A commercial building	Income capitalisation approach	i) Term yield	5.5% (2024: 5.5%)	The higher the term yield, the lower the fair value
		ii) Net passing rental income	RMB3.5M to RMB4.1M per annum (2024: RMB3.5M to RMB4.1M per annum)	The higher the net passing rental income, the higher the fair value
		iii) Reversionary yield	6.5% (2024: 6.5%)	The higher the reversionary yield, the lower the fair value
		iv) Reversionary market rental income (for shops)	RMB47/month/m ² to RMB90/month/m ² (2024: RMB50/month/m ² to RMB100/month/m ²)	The higher the reversionary market rental income, the higher the fair value
		v) Reversionary average daily rates (for hotel rooms)	RMB358 to RMB390 per room (2024: RMB476 to RMB621 per room)	The higher the reversionary average daily rate, the higher the fair value

13. INVESTMENT PROPERTIES *(Continued)***(b) Assets leased out under operating leases**

The leases typically run for an initial period of 1 to 8 years (2024: 1 to 8 years), with an option to renew the lease after that date at which all terms are renegotiated. None of the leases includes variable lease payments.

Total future minimum lease payments receivable under operating leases is as follows:

	2025 HKD'000	2024 HKD'000
Within 1 year	7,082	6,814
After 1 year but within 2 years	4,751	4,747
After 2 years but within 3 years	4,775	4,548
After 3 years but within 4 years	4,775	4,775
After 4 years but within 5 years	5,014	4,775
After 5 years	–	5,014
	<u>26,397</u>	<u>30,673</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. GOODWILL

	Mining operations HKD'000
Cost	
At 1 January 2024	–
Acquired on acquisition of subsidiaries (Note 31)	<u>167,472</u>
At 31 December 2024, 1 January 2025 and 31 December 2025	<u>167,472</u>
Accumulate impairment	
At 1 January 2024	–
Impairment loss	<u>164,648</u>
At 31 December 2024 and 1 January 2025	<u>164,648</u>
Impairment loss	<u>2,824</u>
At 31 December 2025	<u>167,472</u>
Carrying amount	
At 31 December 2025	<u>–</u>
At 31 December 2024	<u>2,824</u>

14. GOODWILL *(Continued)*

Goodwill arising on acquisition of subsidiaries is allocated to the Group's mining operation. Impairment test for this cash-generating unit is as below.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on the mining plan approved by management covering a nine-year period and discount rate of 9.00% (2024: 8.26%). The cash flow projections covered a period greater than five years because a longer forecast period is required for the relevant business to reflect the foreseeable production of the mine. Cash flow projections during the budget period are based on the budgeted revenue and expected gross margins and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. The future cash flows are highly dependent on the following unobservable inputs: forecast sales volumes and forecasted selling prices.

During the year ended 31 December 2025, the directors of the Company have consequently determined impairment of goodwill directly related to this CGU amounting to approximately HKD2,824,000 (2024: HKD164,648,000). The impairment loss has been included in profit or loss as a separate line item. Goodwill related to the mining operation has been fully impaired and impairment amounting to HKD8,166,000 has been allocated pro rata to class of assets to the extent the carrying amount of the assets is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. Details are set out in Note 19.

During the year ended 31 December 2024, the impairment loss arose because on 31 December 2024, the acquisition date of Zongchuan Investment, the consideration shares issued as consideration for the acquisition of Zongchuan Investment were valued at the fair value of the consideration shares of HKD465,500,000, representing 950,000,000 shares valued at the closing price of the Company's shares of HKD0.49 per share as at the acquisition date. The closing price of the Company's shares as at 31 December 2024 was much higher than the agreed price for the consideration shares of HKD0.336 per share as stipulated in the sale and purchase agreement dated 29 February 2024, amounting to HKD319,200,000 based on the consideration shares priced at HKD0.336 per share.

The substantial increase in the consideration recognised by the Group in the business combination of Zongchuan Investment was primarily attributable to the significant rise in the closing price of the Company's shares between the date of sale and purchase agreement and the acquisition date. This increase in share price was driven by market fluctuations, rather than a significant enhancement in the value of Zongchuan Investment itself during this period. Consequently, the goodwill recognised upon the acquisition of Zongchuan Investment was significantly higher than anticipated at the time of the sale and purchase agreement, ultimately lead to an impairment loss on goodwill with the amount of HKD164,648,000 as of 31 December 2024 in order to reflect the true value of the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. INTANGIBLE ASSETS

	Mining rights HKD'000	Computer software HKD'000	Total HKD'000
Cost			
At 1 January 2024	–	1,594	1,594
Additions	–	53	53
Acquired on acquisition of subsidiaries (Note 31)	205,796	–	205,796
Exchange alignment	–	(54)	(54)
At 31 December 2024 and 1 January 2025	205,796	1,593	207,389
Exchange alignment	10,541	81	10,622
At 31 December 2025	216,337	1,674	218,011
Accumulated amortisation and impairment			
At 1 January 2024	–	705	705
Amortisation provided for the year	–	311	311
Exchange alignment	–	(29)	(29)
At 31 December 2024 and 1 January 2025	–	987	987
Amortisation provided for the year	9,817	319	10,136
Impairment loss recognised for the year	1,749	–	1,749
Exchange alignment	274	59	333
At 31 December 2025	11,840	1,365	13,205
Net carrying amount			
At 31 December 2025	204,497	309	204,806
At 31 December 2024	205,796	606	206,402

As at 31 December 2025 and 2024, mining rights were pledged to bank for loans granted to the Group (see Notes 26(a) and 35).

15. INTANGIBLE ASSETS *(Continued)*

During the year ended 31 December 2025, the management of the Group identified that the performance of iron ore mining and milling segment was worse than expected due to a slight lag in exploration progress and concluded that there was impairment indicator. As at 31 December 2025, the carrying amount of mining rights subject to impairment assessment were approximately HKD204,497,000 (2024: Nil), after taking into account the impairment losses of approximately HKD1,749,000 (2024: Nil) in respect of mining rights that have been recognised. Details of the basis of assessment of impairment are set out in Note 14.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 HKD'000	2024 HKD'000
Financial assets at fair value through other comprehensive income		
– Listed equity securities in Hong Kong (Note (a))	94	162
– Unlisted equity securities in PRC (Note (b))	<u>29,697</u>	<u>–</u>
	<u><u>29,791</u></u>	<u><u>162</u></u>

Notes:

- (a) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (b) The unlisted equity securities are equity investment in Jiangmen Xingyuan Logistics Technology Co., Ltd., which is incorporated in the PRC and engaged in property investment. The Group designated its investment in Jiangmen Xingyuan Logistics Technology Co., Ltd. at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2024: Nil).

The fair value of the unlisted equity interest is assessed by asset-based approach which can reflect the fair value of major underlying assets (i.e. investment properties) held by the investee.

Information regarding the methods and assumptions used in determining the fair value of the financial assets is stated in Note 33(g)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. FINANCE LEASE RECEIVABLES

	2025 HKD'000	2024 HKD'000
Finance lease receivables	29,468	29,871
Less: Expected credit loss allowance	(29,468)	(29,871)
	<u>-</u>	<u>-</u>

At 31 December 2025 and 2024, the finance lease receivables are receivable within one year or on demand.

Note:

- (a) Certain machineries are leased out to one lessee under finance leases with initial lease terms of 24 to 48 months. Prior to the revision of lease contract as stated in Note 17(b), the interest rate inherent in the leases was fixed for the entire lease term and was ranging from 6.2% to 12% per annum.

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

- (b) During the year ended 31 December 2022, the Group entered into a finance lease receivable transfer arrangement (the "**Arrangement**") with the lessee. Under the Arrangement, the amount due from the lessee (representing all past due and future lease payments) of RMB25,122,000 (equivalent to HKD28,341,000) was transferred to an independent third party which the new repayment terms were revised as repayable on demand on a full recourse basis and the balance bears interest at the PRC Loan Prime Rate plus certain agreed premium rates until settlement. As the lessee has not transferred the significant obligations relating to these finance lease receivables, the full carrying amount of the receivables continues to be recognised as "finance lease receivables" in the Group's consolidated statement of financial position.

During the year ended 31 December 2025, partial settlement of approximately RMB1,734,000 (equivalent to approximately HKD1,880,000) was made. At 31 December 2025 and 2024, the remaining carrying value of the finance lease receivables and interest in full under the Arrangement have not been settled. Based on the management's best estimate, the remaining balance of finance lease receivables is fully impaired due to the occurrence of unfavourable event.

Details of the Group's credit policy are set out in Note 33(a).

18. TRADE AND OTHER RECEIVABLES

	2025 HKD'000	2024 HKD'000
Trade receivables, net of ECL allowance	341,127	415,631
Other receivables, net of ECL allowance	79,101	97,970
	<u>420,228</u>	513,601
Deposits and prepayments	22,307	54,761
	<u>442,535</u>	<u>568,362</u>

Ageing analysis

The ageing analysis of trade receivables (net of ECL allowances) as at the end of the reporting period, based on invoice date, is as follows:

	2025 HKD'000	2024 HKD'000
Within 1 month	8,261	2,429
1 to 3 months	1,919	3,025
3 to 12 months	4,267	341,717
Over 12 months	326,680	68,460
	<u>341,127</u>	<u>415,631</u>

Details of the Group's credit policy are set out in Note 33(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. IMPAIRMENT LOSS RECOGNISED

	2025 HKD'000	2024 HKD'000
Impairment loss recognised on non-current assets in respect of		
– property, plant and equipment	5,566	–
– right-of-use assets	851	–
– intangible assets	1,749	–
	<u>8,166</u>	<u>–</u>
Impairment loss recognised/(reversed) under expected credit loss in respect of		
– trade receivables	80,285	4,880
– other receivables	6,899	(32)
– finance lease receivables	(1,880)	–
	<u>85,304</u>	<u>4,848</u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HKD'000	2024 HKD'000
Held for trading investments stated at fair value		
– Listed equity securities in Hong Kong	–	22
– Listed equity securities in the PRC	2	7
	<u>2</u>	<u>29</u>

21. INVENTORIES

	2025 HKD'000	2024 HKD'000
Food and beverages	1,139	1,426
Materials	23,230	14,355
Iron ore concentrate and sailing sand	484	5,367
Auxiliary goods	13,232	13,753
	<u>38,085</u>	<u>34,901</u>

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents comprise:

	2025 HKD'000	2024 HKD'000
Cash and bank balances	18,587	28,719
Less: restricted cash	(8,003)	(6,996)
Cash and cash equivalents	<u>10,584</u>	<u>21,723</u>

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

Restricted cash carries interest rates ranging from 0.1% to 0.35% (2024: 0.1% to 0.35%) and represents deposits for obligation of rehabilitation.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings HKD'000 (Note 26)	Lease liabilities HKD'000 (Note 27)
At 1 January 2025	744,687	14,669
Changes from financing cash flows:		
Proceeds from new loans	32,215	–
Repayment of loans	(25,093)	–
Capital element of lease rental paid	–	(2,848)
Interest element of lease rental paid	–	(549)
Interest paid	(30,152)	–
Total changes from financing cash flows	(23,030)	(3,397)
Exchange realignment	33,960	509
Other changes:		
Adjustment on early termination of a lease	–	(4,610)
Increase in lease liabilities from entering into new leases during the year	–	2,718
Settlement of bank loan through realisation of the collaterals (Note 26(b))	(24,465)	–
Interest expenses (Note 5(a))	58,127	549
Change in interest payables	(27,975)	–
Total other changes	5,687	(1,343)
At 31 December 2025	761,304	10,438

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*
(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings HKD'000 (Note 26)	Lease liabilities HKD'000 (Note 27)
At 1 January 2024	<u>367,308</u>	<u>14,264</u>
Changes from financing cash flows:		
Proceeds from new loans	1,000	–
Repayment of loans	(7,091)	–
Capital element of lease rental paid	–	(2,987)
Interest element of lease rental paid	–	(718)
Interest paid	<u>(1,944)</u>	<u>–</u>
Total changes from financing cash flows	<u>(8,035)</u>	<u>(3,705)</u>
Exchange realignment	<u>(12,176)</u>	<u>(428)</u>
Other changes:		
Increase in borrowings arising from acquisition of subsidiaries (Note 31)	395,417	–
Increase in lease liabilities from entering into new leases during the year	–	3,820
Interest expenses (Note 5(a))	30,558	718
Change in interest payables	<u>(28,385)</u>	<u>–</u>
Total other changes	<u>397,590</u>	<u>4,538</u>
At 31 December 2024	<u><u>744,687</u></u>	<u><u>14,669</u></u>

23. TRADE PAYABLES

	2025 HKD'000	2024 HKD'000
Trade payables	<u><u>288,451</u></u>	<u><u>194,450</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. TRADE PAYABLES (Continued)

The ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	2025 HKD'000	2024 HKD'000
Within 1 month	52,574	38,023
1 to 3 months	50,001	31,766
3 to 12 months	93,955	58,514
Over 12 months	91,921	66,147
	<u>288,451</u>	<u>194,450</u>

The credit period on purchase of goods is generally 30 days.

24. OTHER PAYABLES AND ACCRUED CHARGES

	2025 HKD'000	2024 HKD'000
Accruals		
– Accrued staff costs, welfare and benefits (including accrued directors' remunerations)	8,749	9,871
– Other accruals	10,551	10,679
Deposits received		
– Deposits for finance lease	6,432	6,118
– Rental deposits	5,632	5,358
– Sales deposits	3,442	3,327
– Other deposits	17,518	11,449
Other payables		
– Interest payables	73,151	45,176
– Rental expenses payables	156	466
– Other tax payables	7,104	932
Payables for leasehold improvements	1,399	2,612
Advances received from a customer	890	4,831
Payable to third-party collateral owner (Note 26(b))	32,098	–
Others	289	844
	<u>167,411</u>	<u>101,663</u>

25. CONTRACT LIABILITIES

When the Group receives a prepayment or a deposit from customers before supply or delivery of promised goods or services, which depends on the specific term of sales and concern of new customers, this will give rise to contract liabilities at the start of contract.

Movements in contract liabilities during the year are as follows:

	2025 HKD'000	2024 HKD'000
At 1 January	56,772	11,422
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	(56,772)	(11,422)
Increase due to cash received in advance before delivery of promised goods, excluding amounts recognised as revenue during the year	38,342	12,106
Arising from acquisition of subsidiaries (Note 31)	–	44,921
Exchange realignment	1,072	(255)
At 31 December	<u>39,414</u>	<u>56,772</u>

All of the contract liabilities are expected to be recognised as revenue within one year.

26. BORROWINGS

	2025 HKD'000	2024 HKD'000
Bank loans, secured (Note (a))	748,304	719,763
Other loan, secured (Note (b))	13,000	23,924
Other loan, unsecured (Note (b))	–	1,000
	<u>761,304</u>	<u>744,687</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. BORROWINGS (Continued)

The maturity profile of borrowings, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	2025 HKD'000	2024 HKD'000
Within 1 year	746,166	490,321
After 1 year but within 2 years	6,780	248,446
After 2 years but within 5 years	8,358	5,920
	761,304	744,687
Less: Amount due within one year or repayable on demand classified as current liabilities	(746,166)	(490,321)
Amount due for settlement after one year	15,138	254,366

Notes:

- (a) Bank loans comprise Bank Loan 1, Bank Loan 2, Bank Loan 3, Bank Loan 4, Bank Loan 5 and Bank Loan 6.

Bank Loan 1 with principal amount of RMB14,986,000 (equivalent to HKD16,700,000) (2024: RMB17,958,000 (equivalent to HKD19,038,000)) is secured by certain investment properties of the Group (see Note 13) and is repayable by instalments up to 2027. Interest is charged at Prime rate of The People's Bank of China ("PBOC") plus 30% of PBOC Prime rate per annum.

Bank Loan 2 with principal amount of RMB279,000,000 (equivalent to HKD310,918,000) (2024: RMB279,000,000 (equivalent to HKD295,768,000)) is secured by corporate guarantee executed by the Company and its certain subsidiaries and certain properties owned by an independent third party. Interest is charged at a fixed rate of 5.4% per annum.

Since the prior year, the Group defaulted on the repayment of Bank Loan 2. As at 31 December 2025, the aggregated default principal and related amount of compound interests and default interests amounted to approximately RMB341,502,000 (equivalent to HKD380,570,000) (2024: RMB294,300,000 (equivalent to HKD322,612,000)) (together referred as the "Outstanding Amounts").

During the prior periods, the bank had initiated litigation against the Group to recover Outstanding Amounts. Afterwards, the Group received a written civil ruling ("Civil Ruling") issued by the Intermediate People's Court of Shenzhen, Guangdong in connection with the legal proceedings instituted by the bank to recover the Outstanding Amounts. Pursuant to the Civil Ruling, the Group shall repay the Outstanding Amounts immediately. In addition, the Group has been ordered to pay the court handling fee, preservation order application fee and other legal-related costs.

26. BORROWINGS (Continued)

Notes: (Continued)

(a) (Continued)

During the year ended 31 December 2025, the Group lodged an appeal disputing the quantum of loan interest payable under the relevant loan agreements. The Guangdong Higher People's Court of ("**High Court**") accepted the appeal case. Subsequently, the Group received the civil judgment ("**Civil Judgment**") issued by the High Court, which dismissed the appeal and upheld the Civil Ruling. Under the Civil Judgment, the Group was ordered to repay to the bank the above-mentioned loan principal, together with loan interests and corresponding default and compound interests as calculated in accordance with the loan agreements and the Civil Ruling. The Company and certain of its subsidiaries, as guarantors, are held jointly and severally liable for these debts, and the Group together with its guarantors are further ordered to pay court cost. The Civil Judgment is final, conclusive, and not subject to further appeal.

Subsequent to the year ended 31 December 2025, the Outstanding Amounts have been transferred to China Cinda Asset Management Co., Ltd., Shenzhen Branch ("**Cinda SZ Branch**") pursuant to a debt disposal notice issued by Cinda SZ Branch ("**Disposal Notice**"). Under the Disposal Notice, the Group was notified to demand the repayment of the Outstanding Amounts, along with the legal costs.

The Group would negotiate with the relevant new creditor for renewal and extension for repayments of overdue borrowing.

Bank Loan 3 is secured by certain properties (the "**Collaterals**") owned by independent third parties (the "**Pledgor**"). Interest is charged at a fixed rate of 6.5% per annum. Bank loan 3 was defaulted during the year ended 31 December 2023. During the year ended 31 December 2024, pursuant to a debt assignment agreement between the relevant bank (as an original lender) and assignee (the "**Assignee**"), Bank Loan 3 with principal amount of RMB22,567,000 (equivalent to HKD23,924,000) as at 31 December 2024 was agreed to be assigned to the Assignee, an independent third party. Bank Loan 3 would be accordingly regarded as Other loan 1 below, which the terms of the loan remain unchanged except for the repayment term which is revised to be repayable on demand.

Bank Loan 4 with principal amount of RMB8,500,000 (equivalent to HKD9,472,000) (2024: RMB9,000,000 (equivalent to HKD9,540,000)) is secured by certain investment properties of the Group (see Note 13) and is repayable by instalments up to 2028 (2024: up to 2025). Interest is charged at a fixed rate of 4.8% (2024: 5%) per annum.

Bank Loan 5 with principal amount of RMB244,000,000 (equivalent to HKD271,914,000) (2024: RMB248,000,000 (equivalent to HKD262,905,000)) is secured by corporate guarantee executed by a related company of the Group and pledged with mining rights of the Group (see Note 15). Bank Loan 5 is repayable by instalments up to 2026. Interest is charged at 6.378% (2024: 6.378% - 9.6%) per annum. The related company is controlled by the director of certain subsidiaries of the Company.

Bank Loan 6 with principal amount of RMB125,000,000 (equivalent to HKD139,300,000) (2024: RMB125,000,000 (equivalent to HKD132,512,000)) is secured by corporate guarantee executed by a related company of the Group and pledged with the shares of a subsidiary of Zongchuan Investment. Bank Loan 6 is repayable in December 2026 (2024: in December 2025) and interest is charged at 5% (2024: 6.378%) per annum. The related company is controlled by the director of certain subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. BORROWINGS (Continued)

Notes: (Continued)

- (b) Other loan 1 with principal amount of RMB22,567,000 (equivalent to HKD23,924,000), which was secured by the Collaterals, is repayable on demand and interest-bearing at a fixed rate of 6.50% per annum. During the year ended 31 December 2025, for the purpose of settling the Other loan 1, the Collaterals were disposed of by the Assignee and the relevant loan obligation to the Assignee was fully settled. As a result, the Group derecognised the balance previously recorded as Other loan 1 and the relevant balance together with the accrued interest would then be due to the Pledgor arising from this settlement arrangement which was included in "Other payables and accruals". This transaction is regarded as a non-cash transaction.

Other loan 2 with principal amount of HKD13,000,000 (2024: HKD1,000,000), which was obtained from an independent third party during the year, is secured (2024: unsecured) by an independent third party and repayable within one year. Interest is charged at a fixed rate of 18% (2024: 18%) per annum.

27. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2025 HKD'000	2024 HKD'000
Within 1 year	3,119	2,979
After 1 year but within 2 years	1,957	3,307
After 2 years but within 5 years	5,362	6,608
After 5 years	–	1,775
	<u>10,438</u>	<u>14,669</u>

The weighted average incremental borrowing rate applied to lease liabilities range from 3.73% to 4.90% (2024: 3.73% to 4.90%).

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax (assets)/liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HKD'000	Tax losses HKD'000	Fair value changes of investments HKD'000	Investment properties HKD'000	Right-of- use assets HKD'000	Lease liabilities HKD'000	Total HKD'000
At 1 January 2024	-	(4,447)	(67)	35,573	5,095	(3,566)	32,588
Exchange realignment	-	788	-	(2,448)	(100)	160	(1,600)
(Credited)/charged to profit or loss (Note 6(a))	-	(1,354)	-	(2,308)	301	(591)	(3,952)
Acquisition of subsidiaries (Note 31)	50,130	-	-	-	-	-	50,130
At 31 December 2024 and 1 January 2025	50,130	(5,013)	(67)	30,817	5,296	(3,997)	77,166
Exchange realignment	2,500	(260)	-	1,540	247	(183)	3,844
(Credited)/charged to profit or loss (Note 6(a))	(2,434)	-	67	(10,167)	(3,065)	1,704	(13,895)
At 31 December 2025	<u>50,196</u>	<u>(5,273)</u>	<u>-</u>	<u>22,190</u>	<u>2,478</u>	<u>(2,476)</u>	<u>67,115</u>

(ii) Reconciliation to the consolidated statement of financial position

	2025 HKD'000	2024 HKD'000
Net deferred tax asset recognised in the consolidated statement of financial position	(7,749)	(9,077)
Net deferred tax liability recognised in the consolidated statement of financial position	74,864	86,243
	<u>67,115</u>	<u>77,166</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax not recognised

As at 31 December 2025, the Group had not recognised deferred tax assets in respect of cumulative tax losses of approximately HKD345,864,000 (2024: HKD244,836,000) and other deductible temporary differences of HKD226,021,000 (2024: HKD117,700,000) as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. Of the total tax losses, under the current tax legislation of respective tax jurisdiction of the entities within the Group, amount of HKD260,891,000 (2024: HKD159,863,000) will expire within 5 years and the remaining tax losses of HKD84,973,000 (2024: HKD84,973,000) have no expiry date.

As at 31 December 2025, the Group has unrecognised deferred tax liabilities of HKD4,481,000 (2024: HKD4,786,000) in relation to withholding tax on undistributed profits of HKD89,617,000 (2024: HKD95,726,000) of the Group's subsidiaries in the PRC as the Group is in a position to control the dividend policy of these subsidiaries and no distribution of such profits is expected to be declared by them in the foreseeable future.

29. PROVISION FOR REHABILITATION

	2025 HKD'000	2024 HKD'000
At 1 January	10,917	–
Acquisition of subsidiaries (Note 31)	–	10,917
Exchange realignment	554	–
At 31 December	<u>11,471</u>	<u>10,917</u>

The provision for rehabilitation represents the estimated costs of decommission and rehabilitation of mines and processing sites of the mining projects to be carried out at the end of their producing lives.

The provision for rehabilitation costs have been estimated by the management based on current regulatory requirements and is discounted to present value. However, significant changes in the regulatory requirements, timing of performance of reclamation activities or discount rate will result in changes to the amount of provision from period to period. The discount rates used in the calculation of the provision as at 31 December 2025 was 9.6% (2024: 9.6%).

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HKD'000	Share premium HKD'000	Contributed surplus HKD'000	Accumulated losses HKD'000	Total HKD'000
At 1 January 2024	93,600	539,430	181,059	(316,360)	497,729
Changes in equity for the year ended 31 December 2024:					
Loss and total comprehensive loss for the year	–	–	–	(158,379)	(158,379)
Issue of ordinary shares, net of direct transaction cost (Note 30(c))	19,000	446,500	–	–	465,500
At 31 December 2024	<u>112,600</u>	<u>985,930</u>	<u>181,059</u>	<u>(474,739)</u>	<u>804,850</u>
At 1 January 2025	112,600	985,930	181,059	(474,739)	804,850
Changes in equity for the year ended 31 December 2025:					
Loss and total comprehensive loss for the year	–	–	–	(4,192)	(4,192)
At 31 December 2025	<u>112,600</u>	<u>985,930</u>	<u>181,059</u>	<u>(478,931)</u>	<u>800,658</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividend

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2025 and 2024.

(c) Share capital

Authorised and issued share capital

	2025		2024	
	No. of shares '000	HKD'000	No. of shares '000	HKD'000
Authorised:				
At the beginning and end of the year	<u>10,000,000</u>	<u>200,000</u>	<u>10,000,000</u>	<u>200,000</u>
Ordinary shares, issued and fully paid:				
At the beginning of the year	5,630,000	112,600	4,680,000	93,600
Issue of shares	–	–	950,000	19,000
At the end of the year	<u>5,630,000</u>	<u>112,600</u>	<u>5,630,000</u>	<u>112,600</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 31 December 2024, the Company issued 950,000,000 ordinary shares of HKD0.02 each under the sale and purchase agreement at a price of HKD0.336 (closing market price on 31 December 2024: HKD0.49) per ordinary share, equivalent to the purchase consideration of approximately HKD319,200,000 (adjusted purchase consideration of approximately HKD465,500,000), by way of share allotment for the acquisition of Zhongchuan Investment and its subsidiaries (Note 31).

(d) Nature and purpose of reserve

(i) Share premium

The application of the share premium account is governed by Bermuda Companies Act 1981 (as amended).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in Note 2(v).

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve *(Continued)*

(iii) *Contributed surplus*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time the reorganisation on 9 November 2001 and has been adjusted for the dividend declared from this reserve after 9 November 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a Company is available for distribution. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than its liabilities.

(iv) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 2(g)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group regularly reviews its capital structure on the basis of a gearing ratio computed as total debt over shareholders' fund. For this purpose, the Group defines total debts as total borrowings (which include interest-bearing borrowings and lease liabilities). Total shareholders' fund comprises all components of equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 29 February 2024, the Group entered into a sale and purchase agreement to acquire 100% issued shares of Zongchuan Investment from an independent third party by allotting and issuing 950,000,000 consideration shares at of the Company.

On 31 December 2024, the acquisition was completed, and the consideration was HKD465,500,000, determined using the quoted price of HKD0.49 per consideration share at the date of acquisition.

Upon the completion of the transaction, Zongchuan Investment has become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Zongchuan Investment and its subsidiaries ("**Zongchuan Investment Group**") were therefore consolidated into the consolidated financial statements of the Company. Zongchuan Investment Group is principally engaged in iron ore mining and milling in the PRC. The primary reason for the above acquisition is to scale up its existing supply chain business under its current business development strategy. The iron ore industry, as an upstream industry in the value chain of the supply chain services provided by the Group, is closely associated with the Group's existing operations. Through the Acquisition, the Group will be able to vertically integrate iron ore and iron concentrate powder production and sale business.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(Continued)***Fair value of identifiable assets and liabilities of Zongchuan Investment Group at the date of acquisition**

	HKD'000
Assets	
Property, plant and equipment	581,480
Right-of-use assets	97,976
Intangible assets	205,796
Inventories	33,475
Trade and other receivables*	39,625
Restricted cash	6,996
Cash and cash equivalents	115
Liabilities	
Trade payables	(140,812)
Other payables	(12,944)
Contract liabilities	(44,921)
Borrowings	(395,417)
Provision for rehabilitation	(10,917)
Tax payables	(1,868)
Deferred tax liabilities	(50,130)
Fair value of net identifiable assets acquired	308,454
Non-controlling interests#	(10,426)
Net identifiable assets attributable to owner of the Group	298,028
Goodwill arising on acquisition	167,472
Total consideration	465,500

Net cash inflow arising on acquisition

	HKD'000
Cash and cash equivalents acquired	115

* The acquired receivables consider: (i) the fair value of the receivables; (ii) the gross contractual amounts receivable; and (iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

Non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of the acquired subsidiary.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(Continued)*

Goodwill arose from the factor caused by the significant increase in the closing price of the Company's shares during the period from the acquisition agreement date and acquisition date, details of which are explained in Note 14. Goodwill arising from the acquisition represents the control premium paid and the benefits of expected synergies, revenue growth, future market development to be achieved from the combination, and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Acquisition-related costs amounting to approximately HKD4,568,000 have been excluded from consideration transferred and have been recognised as an expense during the year ended 31 December 2024, within the "administrative expense" line item in the consolidated statement of profit or loss and other comprehensive income.

The acquired business of Zongchuan Investment Group did not contribute any revenue or net profit or loss to the Group for the year ended 31 December 2024. Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2024 would have been approximately HKD888,832,000 and the amount of the loss for that year would have been approximately HKD331,568,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

32. DISPOSAL OF SUBSIDIARIES

On 6 January 2025, the Group disposed of its 100% equity interest in Grand Mark Worldwide Limited (“**Grand Mark**”) to an independent third party at a cash consideration of HKD1.

The net liabilities of Grand Mark at the date of disposal were as follows:

	Grand Mark HKD'000
Assets	
Financial assets at fair value through profit or loss	22
Other receivables	57
Cash and cash equivalents	58
Liabilities	
Other payables and accruals	<u>(233)</u>
Net identifiable liabilities disposed of	(96)
Gain on disposal	<u>96</u>
	<u>–</u>
Satisfied by:	
Cash consideration	<u>–*</u>
Net cash outflow arising on disposal	
Cash consideration	–*
Cash and cash equivalents disposed of	<u>(58)</u>
	<u>(58)</u>

* Below HKD1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. DISPOSAL OF SUBSIDIARIES (Continued)

On 8 July 2024, the Group disposed of its 100% equity interest in Shenzhen Laihua Food Limited (“**Laihua Food**”) (“深圳萊華食品有限公司”) to an independent third party at a cash consideration of approximately HKD1,707,000.

The net assets of Laihua food at the date of disposal were as follows:

	Laihua Food HKD'000
Assets	
Trade and other receivables	2,424
Cash and cash equivalents	2
Liabilities	
Other payables and accruals	<u>(918)</u>
Net identifiable assets disposed of	1,508
Gain on disposal	<u>199</u>
	<u>1,707</u>
Satisfied by:	
Cash consideration	<u>1,707</u>
Net cash inflow arising on disposal	
Cash consideration	1,707
Cash and cash equivalents disposed of	<u>(2)</u>
	<u>1,705</u>

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, finance lease receivables, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and restricted cash are normally placed at financial institutions that have sound credit rating.

Finance lease receivables

The Group applied a simplified approach to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments, which permits the use of the lifetime expected credit loss provision for finance lease receivables. For customers who purchased the motor vehicles or machineries under finance lease arrangement, the Group has policies in place to review their credit worthiness and charged a market interest rate based on their credit worthiness. Management monitors the scheduled instalment pattern and credit worthiness of the customers closely. As at 31 December 2025 and 2024, all of the finance lease receivables were past due. Management, considered among other factors, analysed historical pattern and concluded that the expected credit loss allowance for finance lease receivables to be HKD29,468,000 (2024: HKD29,871,000) as at 31 December 2025.

Movements in the loss allowance account in respect of finance lease receivables during the year are as follows:

	2025 HKD'000	2024 HKD'000
At the beginning of the year	29,871	30,888
Reversal of impairment loss (Note)	(1,880)	–
Exchange realignment	1,477	(1,017)
At the end of the year	<u>29,468</u>	<u>29,871</u>

Note: Reversal of impairment loss was made arising from partial settlement during the year.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)***(a) Credit risk** *(Continued)**Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2025, the Group had a certain concentration of credit risk as 45% (2024: 43%) and 94% (2024: 92%) of the total trade receivables due from the Group's largest customer and the five largest customers, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due from 0 to 365 days (2024: from 0 to 365 days) from the date of billing. Overdue balances are monitored tightly and regularly.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Trade receivables balances are assessed for impairment individually and/or collectively. For trade receivables balances being assessed for impairment individually, the management makes periodic individual assessment on the recoverability of trade receivables based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information. For trade receivables balances being assessed for impairment collectively, the management calculates the loss allowance using a provision matrix. The Group segments its trade receivables based on shared credit risk characteristics.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*
(a) Credit risk *(Continued)*
Trade receivables (Continued)

Supply chain business and property investment

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables calculated using the provision matrix:

	2025		
	Expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
Current (not past due)	5.55	2,828	(157)
Less than 1 month past due	N/A	–	–
1 to 3 months past due	1.53	327	(5)
3 to 12 months past due	21.46	185,113	(39,728)
Over 12 months past due	41.52	303,191	(125,892)
		<u>491,459</u>	<u>(165,782)</u>
	2024		
	Expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
Current (not past due)	2.05	177,191	(3,631)
Less than 1 month past due	1.44	208	(3)
1 to 3 months past due	12.67	137,789	(17,463)
3 to 12 months past due	13.83	58,188	(8,050)
Over 12 months past due	44.47	119,100	(52,967)
		<u>492,476</u>	<u>(82,114)</u>

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) **Credit risk** *(Continued)*

Trade receivables (Continued)

Hotel management and catering services, iron ore mining and milling business

The management makes periodic individual assessment on the recoverability of trade receivables due from hotel management and catering services, iron ore mining and milling based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information. As at 31 December 2025, trade receivables with gross carrying amount of HKD23,643,000 (2024: HKD10,146,000) were assessed individually.

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	Trade receivables assessed individually	Trade receivables assessed collectively	Total
	HKD'000	HKD'000	HKD'000
At 1 January 2024	5,669	79,345	85,014
(Reversal of)/provision for impairment loss, net	(618)	5,498	4,880
Exchange realignment	(174)	(2,729)	(2,903)
At 31 December 2024 and 1 January 2025	4,877	82,114	86,991
Provision for impairment loss, net	2,983	77,302	80,285
Exchange realignment	333	6,366	6,699
At 31 December 2025	<u>8,193</u>	<u>165,782</u>	<u>173,975</u>

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical observed default rates over the expected life of the other receivables and deposits and are adjusted for forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs. As at 31 December 2025, the Group's cumulative expected credit loss for other receivables mainly originated from loss allowance for supply chain finance arrangements. For supply chain financing arrangements, the Group has developed a series of policies to mitigate credit risk, including obtaining security deposit and guarantee from an enterprise or individual, depending on the customers' credit status and credit risk degree. The management periodically evaluates the capability of the guarantor.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Other receivables and deposits (Continued)

Movements in the loss allowance account in respect of other receivables during the year are as follows:

	2025 HKD'000	2024 HKD'000
At the beginning of the year	838	898
Provision for/(reversal of) impairment loss, net	6,899	(32)
Exchange realignment	236	(28)
At the end of the year	<u>7,973</u>	<u>838</u>

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2025					At 31 December 2024				
	Within 1 year HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amount HKD'000	Within 1 year HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amount HKD'000
Trade payables	288,451	-	-	288,451	288,451	194,450	-	-	194,450	194,450
Other payables and accrued charges	167,411	-	-	167,411	167,411	101,663	-	-	101,663	101,663
Borrowings*	774,143	7,350	8,713	790,206	761,304	517,074	250,421	6,072	773,567	744,687
Lease liabilities	3,525	2,249	5,714	11,488	10,438	3,572	3,766	9,138	16,476	14,669
	<u>1,233,530</u>	<u>9,599</u>	<u>14,427</u>	<u>1,257,556</u>	<u>1,227,604</u>	<u>816,759</u>	<u>254,187</u>	<u>15,210</u>	<u>1,086,156</u>	<u>1,055,469</u>
Financial guarantee issued:										
Maximum amount guaranteed (Note 34)	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, finance lease receivables and borrowings. Bank deposits and borrowings are issued at variable rates and at fixed rates which would expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk.

(i) Interest rate profile

The Group's interest rate profile as monitored by management is set out below:

	At 31 December 2025		At 31 December 2024	
	Effective interest rate %	HKD'000	Effective interest rate %	HKD'000
Fixed rate financial instruments				
Finance lease receivables	N/A	29,468	N/A	29,871
Borrowings	7.78	(744,604)	8.69	(330,232)
Lease liabilities	4.96	(10,438)	4.96	(14,669)
Net exposure		(725,574)		(315,030)
Variable rate financial instruments				
Bank deposits	0.09	18,481	0.28	28,553
Borrowings	5.59	(16,700)	6.16	(414,455)
Net exposure		1,781		(385,902)

(ii) Sensitivity analysis

As at 31 December 2025, it is estimated that a general increase/decrease of 100 basis points (2024: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase (2024: increase/decrease) the Group's loss after tax by approximately HKD14,000 (2024: approximately HKD3,222,000).

At 31 December 2025 and 2024, the Group's financial instruments issued at fixed rate which expose the Group to fair value interest rate risk. Management of the Group considers the fair value exposure of the fixed rate financial instruments is insignificant to the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis as 2024.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group's business activities and its assets and liabilities were denominated in HKD and RMB. The management considers the Group is not exposed to significant foreign currency risk as most sales, income, purchases and expenses are denominated in the functional currency of the operations to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at FVOCI and FVPL (see Notes 16 and 20 respectively).

The Group's listed investments are listed on the Shenzhen Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed regularly against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Sensitivity analysis for unlisted equity investments with fair value measurement categorised within Level 3 were disclosed in the fair value measurement of financial instrument (see Note 33(g)).

Management of the Group considers the exposure of equity price changes of equity investments classified as financial assets at FVPL is insignificant and accordingly no sensitivity analysis is presented.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Categories of financial instruments

	2025 HKD'000	2024 HKD'000
Financial assets		
Financial assets at amortised cost	452,824	555,359
Financial assets at FVOCI	29,791	162
Financial assets at FVPL	2	29
	<u>482,617</u>	<u>555,550</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>1,225,624</u>	<u>1,055,469</u>

(g) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table represents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's finance department which led by the Group's financial controller performs the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held by the board members and Audit Committee at least twice every year, which is in line with the Group's reporting periods.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*
(g) Fair value measurement *(Continued)*
(i) Financial assets and liabilities measured at fair value (Continued)

 Fair value hierarchy *(Continued)*

The following table presents the Group's assets that are measured at fair value at the end of the reporting periods:

	Fair value at	Fair value measurements		Fair value at	Fair value measurements	
	31 December	as at 31 December 2025		31 December	as at 31 December 2024	
	2025	categorised into		2024	categorised into	
	Level 1	Level 3		Level 1	Level 3	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Recurring fair value measurements						
Assets:						
Financial assets measured at FVOCI						
– Listed equity securities	94	94	–	162	162	–
– Unlisted equity securities	29,697	–	29,697	–	–	–
	<u>29,791</u>	<u>94</u>	<u>29,697</u>	<u>162</u>	<u>162</u>	<u>–</u>
Financial assets measured at FVPL						
– Listed equity securities	2	2	–	29	29	–

During the year ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(g) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

The following table provides the information about Level 3 fair value measurements as at 31 December 2025:

	2025 HKD'000	2024 HKD'000	Valuation techniques and Key inputs	Significant unobservable inputs	Sensitivity of fair value to the input(s)
Financial assets					
Unlisted equity investment	29,697	-	Asset-based approach	Fair value of underlying net assets	5% increase/(decrease) in the fair value of net assets would result in increase/ (decrease) in fair value of investment of approximately HKD1,485,000

Unlisted equity securities

As at 31 December 2025, the fair value of unlisted investment is determined using asset-based approach which net assets value of the investee is mainly reflected by the underlying investment held by the investee. The investee is engaged in the property investment and its investment properties are the major underlying assets and investments of the investee. The directors of the Company assessed fair value of unlisted investment as at 31 December 2025 based on the fair value of all assets and liabilities of the investee.

The following table presents the changes in level 3 instruments for the year ended 31 December 2025:

	2025 HKD'000
At 1 January	-
Purchases	32,092
Changes in fair value recognised in other comprehensive income	(3,202)
Exchange realignment	807
At 31 December	29,697

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

34. FINANCIAL GUARANTEES ISSUED

Financial guarantees issued to the company within the Group

The Company had issued corporate guarantees amounting to HKD311 million (2024: HKD296 million) to banks in connection with facilities granted to certain subsidiaries within the Group.

During the year ended 31 December 2025, there is a claim made against the Company and its certain subsidiaries due to the breach of loan agreements which was secured by corporate guarantee executed by the Company (see Note 40). The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by subsidiaries of HKD311 million (2024: HKD296 million).

Financial guarantees issued to the related parties outside the Group

During the year ended 31 December 2025, one of the subsidiaries of the Group, Fushun Xingzhou Mining Co., Ltd., has issued several corporate guarantees in respect of banking facilities to the extent of, in aggregate, approximately RMB136 million (equivalent to approximately HKD152 million) granted to two related companies. Mr. Wu Zongchuan (an executive director of the Company) has controlling interest in these companies. The directors of the Company do not consider it is probable that a claim will be made against the Group under these guarantees. As at 31 December 2025, the maximum exposure to the Group under the guarantees issued is the facilities drawdown by these related companies being approximately RMB136 million (equivalent to approximately HKD152 million).

35. PLEDGE OF ASSETS

As at 31 December 2025, certain investment properties of the Group with an aggregate carrying amount of approximately HKD160,863,000 (2024: approximately HKD178,472,000) and mining rights of the Group with carrying amount of approximately HKD204,497,000 (2024: HKD205,796,000) were pledged to banks for loans granted to the Group which are disclosed in Notes 13 and 15 respectively.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and the highest paid employees as disclosed in Note 8, is as follows:

	2025 HKD'000	2024 HKD'000
Salaries, allowances and other benefits	4,388	4,288
Contributions to defined contributions retirement plan	140	149
	<u>4,528</u>	<u>4,437</u>

Total remuneration is included in "Staff costs" (see Note 5(b)).

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)***(b) Other related party transactions**

Apart from the financing arrangements with related parties as disclosed in Notes 26 and 34, the Group did not enter into other significant related party transactions during both years.

(c) Related party balances

At 31 December 2025, the Group does not have any balance dealt with its related party (2024: nil).

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment, right-of-use assets and intangible assets

In considering the impairment loss that may be required for certain property, plant and equipment, right-of-use assets and intangible assets, recoverable amount of the asset needs to be determined. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. 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 turnover 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 turnover and operating costs. Details of impairment assessment in respect of property, plant and equipment, right-of-use assets and intangible assets are disclosed in Notes 11, 12 and 15 respectively.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of goodwill

The Group tests annually whether goodwill have suffered any impairment in accordance with accounting policies stated in Note 2(k)(iii). The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell, whichever are higher. These calculations require the use of judgments and estimates. Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by the management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. Details of impairment assessment in respect of goodwill are disclosed in Note 14.

(d) Valuation of investment properties

Investment properties are stated at fair value based on the valuations performed by independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 13.

(e) Provision of ECLs for trade and other receivables

Trade receivables is assessed for ECL individually and/or collectively. Where ECL is measured on a collective basis, the Group estimates ECL through groupings of various debtors that have similar loss patterns, after considering the historical loss rates experience, ageing of overdue debtors, customers' repayment history, customer's financial position and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Impairment loss on other receivables represent management's best estimate of losses incurred under ECL models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment loss on other receivables, including historical loss experience on the basis of the relevant observable data that reflects current economic conditions, all of which involves significant management judgements and assumptions.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade and other receivables are disclosed in Note 18 and Note 33(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)***(f) Write-down of inventories to net realisable value**

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. As at 31 December 2025, the carrying amount of inventories was approximately HKD38,085,000 (2024: HKD34,901,000).

(g) Provision for rehabilitation

Environment rehabilitation obligations are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in the estimation of the costs. Environment rehabilitation obligations are subject to considerable uncertainty which affects the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimate of environment liabilities also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. The carrying amount of provision for rehabilitation at 31 December 2025 was approximately HKD11,471,000 (2024: HKD10,917,000). More details are set out in Note 29.

38. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			2025		2024		
			Directly	Indirectly	Directly	Indirectly	
Young Sol Worldwide Limited	Hong Kong	10,000 shares of HKD1 each	-	100%	-	100%	Provision of management services
Grand Mark Worldwide Limited*	Hong Kong	1 share of HKD1 each	-	-	-	100%	Money lending business and securities investment
Marvel Innovator Investment Holdings Limited	Hong Kong	10,000 shares of HKD1 each	-	100%	-	100%	Securities investment
深圳金盛租賃管理有限公司#	The PRC	Registered and paid up capital of HKD100,000,000	100%	-	100%	-	Provision of leasing services
深圳金勝供應鏈有限公司#	The PRC	Registered and paid up capital of HKD100,000,000	-	100%	-	100%	Supply chain business
深圳金盛商業有限公司#	The PRC	Registered capital of RMB60,000,000 (paid up capital of RMBNil)	-	100%	-	100%	Property investment
深圳金盛商業管理有限公司#	The PRC	Registered capital of HKD100,000,000 (paid up capital of HKD25,000,000)	-	100%	-	100%	Provision of trade financing, accounts receivable management and debt collection services
萊華國際酒店有限公司#	The PRC	Registered and paid up capital of HKD65,000,000	-	100%	-	100%	Investment holding and hotel management
北海萊麗酒店有限公司#	The PRC	Registered and paid up capital of RMB50,000,000	-	100%	-	100%	Hotel management
深圳市粵江春餐飲管理有限公司#	The PRC	Registered and paid up capital of RMB23,000,000	-	100%	-	100%	Catering services
深圳金翎實業有限公司	The PRC	Registered capital of RMB50,000,000 (paid up capital of RMB10,000,000)	-	100%	-	100%	Supply chain business
浙江興洲企業管理有限公司#®	The PRC	Registered and paid up capital of RMB10,000,000	-	100%	-	100%	Investment holding
撫順興洲礦業有限公司*®	The PRC	Registered and paid up capital of RMB30,000,000	-	96.62%	-	96.62%	Iron ore mining and milling

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. SUBSIDIARIES (Continued)

- # Wholly foreign owned enterprise in the PRC.
- ⊗ These subsidiaries were acquired by the Group through acquisition of Zongchuan Investment during the year ended 31 December 2024. Further details are set out in Note 31.
- * The subsidiary was disposed by the Group during the year. Further details are set out in Note 32.

All subsidiaries operate principally in their respective places of incorporation or registration. None of the subsidiaries had issued any debt securities at the end of the year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HKD'000	2024 HKD'000
Non-current assets		
Investments in subsidiaries	416,464	416,386
Current assets		
Other receivables, prepayments and deposits	323	321
Amounts due from subsidiaries	548,960	548,950
Cash and cash equivalents	109	14
	549,392	549,285
Current liabilities		
Accrued charges	3,879	3,916
Amounts due to subsidiaries	161,319	156,905
	165,198	160,821
Net current assets	384,194	388,464
NET ASSETS	800,658	804,850
CAPITAL AND RESERVES (Note 30(a))		
Share capital	112,600	112,600
Reserves	688,058	692,250
TOTAL EQUITY	800,658	804,850

40. LITIGATION AND CLAIM

During the year ended 31 December 2023, one of the subsidiaries of the Group, Shenzhen Jinsheng Supply Chain Company Limited (“**Shenzhen Jinsheng**”) defaulted on repayment of interest-bearing bank borrowing Shenzhen Branch of Hua Xia Bank Co., Ltd (“**Hua Xia Bank**”). As at 31 December 2025, the aggregate principal and related interest amounted to approximately RMB341,502,000 (equivalent to approximately HKD380,570,000) (2024: RMB294,300,000 (equivalent to approximately HKD322,612,000)).

During the year ended 31 December 2024, the Company and its certain subsidiaries (the “**Defendants**”) received a legal claim filed by Hua Xia Bank in respect of breach of loan agreements. The Defendants subsequently received a court notice from the Shenzhen Intermediate People’s Court, pursuant to which Hua Xia Bank requested Shenzhen Jinsheng to repay immediately the total amount of principal, interests and compound interests; bear Hua Xia Bank’s legal costs and other litigation-related costs.

In October 2024, the Group received a written Civil Ruling from the Intermediate People’s Court of Shenzhen, Guangdong ordering the repayment of the principal, corresponding default interests and compound interests in accordance with the loan agreements.

During the year ended 31 December 2025, the Group subsequently received the Civil Judgment from the High Court in relation to the appeal lodged by Shenzhen Jinsheng. The High Court dismissed the appeal and upheld the civil ruling previously issued by the Shenzhen Intermediate People’s Court.

Pursuant to the Civil Judgment, Shenzhen Jinsheng is ordered to repay to Hua Xia Bank the principal, loan interests and default and compound interests calculated in accordance with the loan agreements and the Civil Ruling. The Company and certain subsidiaries, as guarantors, are held jointly and severally liable for the above debts. Shenzhen Jinsheng and the guarantors are further ordered to bear total court costs, including the case acceptance fee and preservation application fee. The Civil Judgment is final, conclusive and not subject to further appeal.

Subsequent to the year ended 31 December 2025, the above-mentioned debts along with compound and default interests have been transferred to Cinda SZ Branch pursuant to the Disposal Notice. Under the Disposal Notice, the Group was notified to demand the outstanding debt comprising principal, accrued interest, penalty interest, default damages and reimbursable expenses.

In view of the litigation, the Civil Judgement and assignment of debt arrangement, the corresponding borrowings have been classified as current liabilities as at 31 December 2025 and 2024. The Group would negotiate with the relevant new creditor regarding a possible extension of repayment terms.

Apart from the above written civil ruling and final Civil Judgement, no further legal actions have been taken by the relevant new creditor or the relevant courts up to the date of approval of these consolidated financial statements.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependant Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments

The amendments to HKFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 *(Continued)*

Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments *(Continued)*

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term “non-recourse” is enhanced and the characteristics of “contractually linked instruments” are clarified in the amendments.

The disclosure requirements in HKFRS 7 Financial Instruments: Disclosures in respect of investments in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The amendments are required to be applied retrospectively, with specific exceptions.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity’s financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements. The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December 2021 HKD'000	Year ended 31 December 2022 HKD'000	Year ended 31 December 2023 HKD'000	Year ended 31 December 2024 HKD'000	Year ended 31 December 2025 HKD'000
Continuing operations					
Revenue	2,125,223	726,536	422,492	674,764	769,205
Profit/(loss) from operations	47,703	15,025	(174,383)	(201,321)	(196,170)
Finance costs	(47,974)	(31,863)	(25,068)	(31,276)	(58,676)
Loss before taxation	(271)	(16,838)	(199,451)	(232,597)	(254,846)
Income tax (expense)/credit	(5,377)	2,577	(2,699)	3,398	13,895
Loss for the year	<u>(5,648)</u>	<u>(14,261)</u>	<u>(202,150)</u>	<u>(229,199)</u>	<u>(240,951)</u>
Attributable to:					
Equity shareholders of the Company	(5,648)	(14,259)	(201,747)	(229,199)	(238,492)
Non-controlling interests	–	(2)	(403)	–	(2,459)
	<u>(5,648)</u>	<u>(14,261)</u>	<u>(202,150)</u>	<u>(229,199)</u>	<u>(240,951)</u>

ASSETS AND LIABILITIES

	At 31 December				
	2021 HKD'000	2022 HKD'000	2023 HKD'000	2024 HKD'000	2025 HKD'000
Total assets	1,551,859	1,327,807	948,240	1,815,477	1,740,514
Total liabilities	(905,443)	(758,884)	(580,986)	(1,211,274)	(1,353,512)
Net assets	<u>646,416</u>	<u>568,923</u>	<u>367,254</u>	<u>604,203</u>	<u>387,002</u>
Equity attributable to equity shareholders of the Company	646,414	568,923	367,254	593,777	378,577
Non-controlling interests	2	–	–	10,426	8,425
Total equity	<u>646,416</u>	<u>568,923</u>	<u>367,254</u>	<u>604,203</u>	<u>387,002</u>