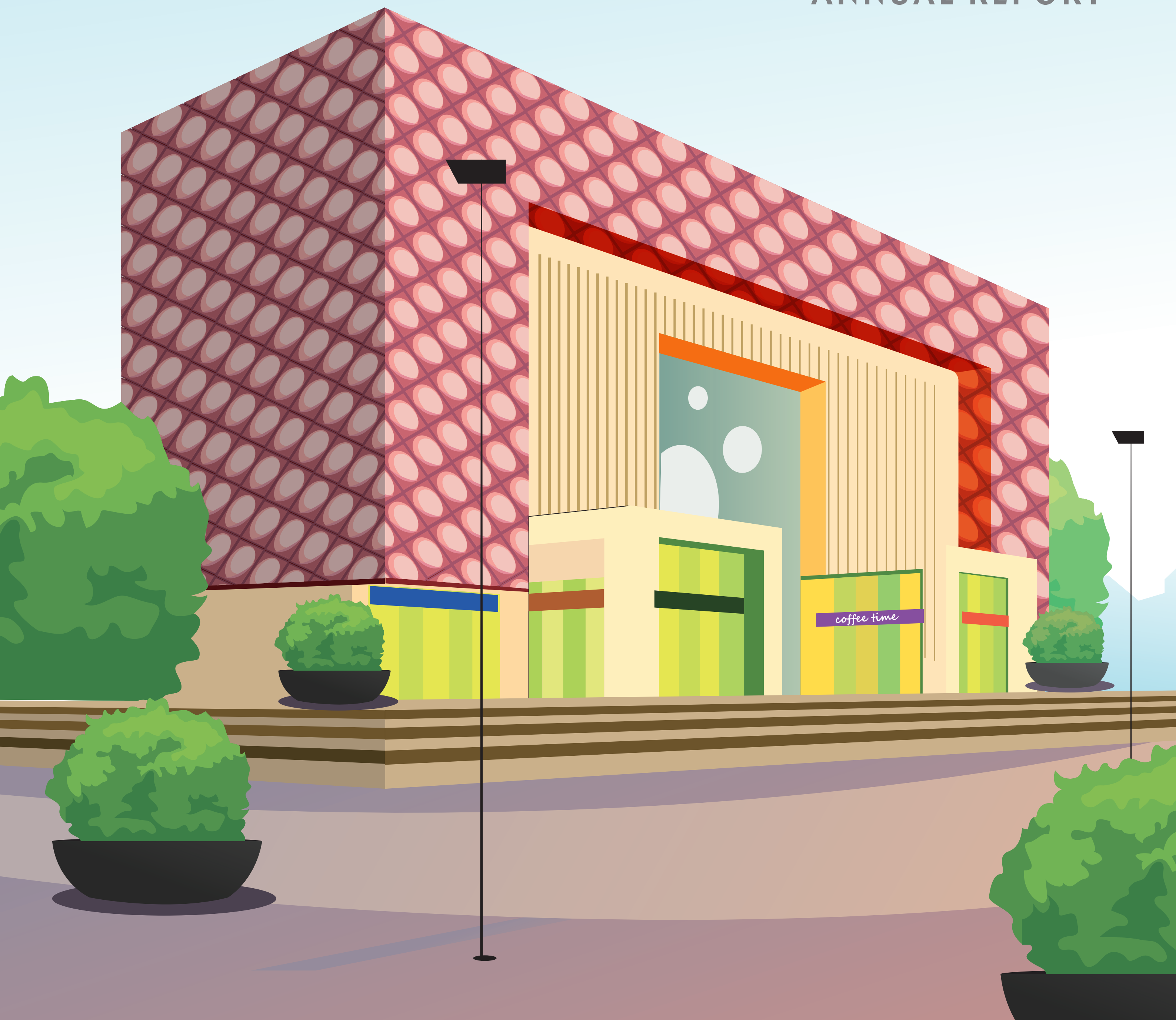
ART GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

2024
ANNUAL REPORT



CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chen Jinyan *(Chairman)*
Mr. Su Peixin *(Chief Executive Officer)*
(appointed on 21 August 2024)
Mr. Chen Jindong (resigned on 21 August 2024)
Mr. Yao Linying (appointed on 24 June 2024)
Ms. Cai Wenxiao*
(appointed on 28 November 2023 and resigned on 23 January 2024)
Mr. Chong Hon Wang**
(appointed on 25 July 2024)
Mr. Kwan Chi Fai** (resigned on 25 July 2024)
Ms. Chong Sze Pui Joanne**
Ms. Wang Yuqin**

* Non-executive Director
** Independent Non-executive Director

COMPANY SECRETARY

Ms. Yeow Mee Mooi
(resigned on 1 December 2023 and appointed on 23 January 2024)
Ms. Shum Ching Yee Jennifer
(appointed on 1 December 2023 and resigned on 23 January 2024)

AUDITOR

Confucius International CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 1st Floor, Yun Tat Commercial Building
70-74 Wuhu Street, Kowloon, Hong Kong
Website: https://artgroup.etnet.com.hk

REGISTERED OFFICE

3rd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
3rd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of Zhengzhou
Bank of China
Hang Seng Bank

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock code: 565)

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Art Group Holdings Limited (錦藝集團控股有限公司) (the "Company") and its subsidiaries (together, the "Group"), I would like to report that the Group recorded a revenue of HK$111,160,000 (2023: HK$143,233,000) and a loss for the year of HK$270,792,000 (2023: HK$683,448,000).

BUSINESS REVIEW

With a view to magnifying the Company's development potential and the shareholders' return, the Group places its business focus and resources in property operating aspect to become an asset-light and service-oriented property operator, explore more prospects and develop relevant markets in-depth. The Group is principally engaged in property operating business through holding all equity interests in 鄭州中原錦藝商業運營管理有限公司 (Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.) ("Zhongyuan Jinyi"), 鄭州金福商業管理有限公司 (Zhengzhou Jinfu Commercial Management Co., Ltd.) ("Zhengzhou Jinfu") and 鄭州旭福商業運營管理有限公司 (Zhengzhou Xufu Commercial Operation Management Co., Ltd.) ("Zhengzhou Xufu") in the People's Republic of China (the "PRC"). The principal activity of Zhongyuan Jinyi, Zhengzhou Jinfu and Zhengzhou Xufu is property operating business.

The Group leased partial of the Jiachao's Shopping Mall and the whole Zone C Shopping Mall from a number of landlords, both shopping malls situated in Zhengzhou City, Henan Province, the PRC. The Jiachao's Shopping Mall, with a rental period to expire in the mid of 2036, comprises altogether a 4-storey shopping mall and one level of basement commercial space. As a result of certain areas of the Jiachao's Shopping Mall involved in the litigation with a creditor of its landlord, the Group could not generate any income on such areas. The Group's leased area of the Jiachao's Shopping Mall reduced from 125,188.32 square meters to 74,655.84 square meters from 22 June 2024. The Group generates revenue from the monthly incomes of rental, management and operating service receivables from tenants under the respective tenancy agreements with a remaining term ranging from one year to eleven years. Nevertheless, the Group promoted and further rented out the remaining Jiachao's Shopping Mall to approximately 119 tenants and approximately 87.5% of the lettable area had been leased out as of 30 June 2024 as retail shops, restaurants and/or for entertainment and leisure use. The Jiachao's Shopping Mall is a one-stop shopping paradise that offers a wide range of services and goods to consumers and shoppers including a cinema, a supermarket, KTV (a karaoke box), jewelries, beauty shops, electrical appliances shops, car sales, international labels for fashion, fitness, lifestyle, casual wear/sport, kid's paradise, kid's learning and restaurants. Certain areas of the Jiachao's Shopping Mall are rented to tenants on short-term leases for use, including kiosks and booths of trendy and stylish items.

In addition, the Zone C Shopping Mall, with a rental period to expire in the mid of 2036, is a 5-storey integrated commercial mall built over one level of basement commercial space with a gross floor area of approximately 80,118 square meters. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao's Shopping Mall. The Group promoted and further rented out the Zone C Shopping Mall to various independent tenants under the respective tenancy agreements with a remaining term ranging from one year to twelve years. As of 30 June 2024, approximately 91 tenants and approximately 85.0% of the lettable area of the Zone C Shopping Mall had been leased out as retail shops and restaurants and/or for entertainment and leisure use. The Zone C Shopping Mall offers a wide range of services and goods including a cinema, an aquarium, a photo shop, beauty shops, car sales, international labels for fashion, lifestyle, casual wear/sport, kid's paradise, kid's learning and restaurants. Certain areas of the Zone C Shopping Mall are rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

CHAIRMAN'S STATEMENT

The Group has an advantage in having an existing team of high-caliber and experienced management and staff to run the two shopping malls together. As such, the extra costs for running the shopping malls have been minimal to the Group and the Group can generate considerable incomes from the provision of rental, management and operating services to tenants of the two shopping malls. The larger the area of the shopping mall, the more the number of similar types of shops open, and thus more customers will be attracted by offering them a large diversity and well-known brand choices. Positive benefits and synergy effects on the customer flow and the tenant grade will be brought to the Group through management of both the Jiachao's Shopping Mall and the Zone C Shopping Mall together, eventually contributing to affirmative revenue and profit margin of property operating business.

On 28 April 2021, an indirect wholly-owned PRC subsidiary of the Company entered into a loan agreement with 福建千城綠景觀工程有限公司 (Fujian Qiancheng Lujingguan Engineering Co., Ltd.), an independent third party, (the "Borrower") pursuant to which, it was agreed to lend to the Borrower a loan in the principal amount of RMB250 million for a term of 12 months from the drawdown date at an interest of 7.5% per annum. During the year ended 30 June 2022, the principal amount was revised to RMB210 million, as well as the interest of 4.785% per annum. The Group keeps focusing its resources on property operating business and has no intention to commence money lending business. The Borrower approached the Group and looked for a source of financing. The entering into of the aforesaid loan agreement is due to (i) the surplus cash position of the Group; (ii) the interest income to be received by the Group; and (iii) the credit and repayment ability of the Borrower and its guarantor. On 29 June 2022, the parties agreed to extend the repayment date of the loan to 27 April 2023 (the "Renewed Loan"). Before extending the Renewed Loan, the Company has performed certain works to assess the credit risk and repayment ability of the Borrower and the guarantors and such works included (i) obtained and reviewed the latest management accounts of the Borrower then available; (ii) understood the updated business, operation and forecast of the Borrower; (iii) obtained and reviewed certain current business contracts of the Borrower and the guarantors; and (iv) conducted updated background and corporate searches of the Borrower and the guarantors.

During the year ended 30 June 2024, the Borrower settled RMB20 million and HK$15 million after the maturity date on 27 April 2023. As of 30 June 2024, the Group had not received further payments of the remaining principal amount of approximately RMB145.7 million. The Group has been in discussions with the Borrower about a revised repayment schedule of the Renewed Loan throughout the current year. Please also refer to the announcements of the Company dated 28 April 2021, 13 May 2021, 19 November 2021, 27 May 2022, 29 June 2022, 23 February 2023 and 6 December 2023, as well as the circular of the Company dated 12 August 2022 for details.

The COVID-19 epidemic spread across the globe starting from the beginning of 2020, and since then, the situation around the world has changed rapidly. The Group's business has been impacted by the closure of the shopping malls and controls of the epidemic to a significant extent during the past few years. COVID-19 had become the endemic disease, therefore, during the year ended 30 June 2024, the Group did not give preferential charges to the tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall anymore. While during the year ended 30 June 2023, the Group had supported more than 275 tenants of two shopping malls (including kiosks and booths of trendy and stylish items) who were affected by the epidemic by reducing their rental, management and operating service charges on different bases with an aggregated amount of approximately HK$23,025,000. The Group had seen cost reduction as a key strategic focus to help navigate business uncertainty resulting from the epidemic.

CHAIRMAN'S STATEMENT

In light of the above advantages, the Company expands its property operating business through its indirect wholly-owned PRC subsidiary which holds entire equity interests in 鄭州英睿物業服務有限公司 (Zhengzhou Yingrui Property Services Co., Ltd.) ("Zhengzhou Yingrui") after the reporting period. Zhengzhou Yingrui leased 42 houses with a rental period to expire in the first half of 2027 and with a gross floor area of approximately 130,873 square meters in an industrial park, the Jinyi Zhiyun City, located in Xinmi City, Henan Province. The Group promoted and further rented out the Jinyi Zhiyun City to approximately 79 tenants and approximately 73.2% of the lettable area had been leased out after the reporting period as production, processing and sales of men's and women's shoes, processing and sales of shoe accessories and wholesale of groceries.

The Group continues to penetrate the property operating market, explores other new market potentials and increases profit margin by leveraging its established strengths, experience and foresight and by applying strict cost control policy and financial planning. The directors of the Company (the "Directors") believe that the Group will achieve a steadily better performance in its future results.

STRATEGIES AND OUTLOOK

After several years of the pandemic and slower-than-expected economic recovery to the PRC economy, the Group adjusts its future operating plans to upgrade its property operating segment by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group increases large-scale marketing and promotion activities in the eastern and western festivals to raise the popularity of the shopping malls, pays close attention to business operations, helps key merchants in time and follows closely with market trends to make appropriate management decisions in a timely manner.

Hence, the leased properties under the Group's management always generate a stable and constant stream of income and consistent cash flow to the Group, which ultimately benefits the Company and its shareholders as a whole. However, due to the pandemic since the beginning of 2020, the return of funds has slowed down, the overall cash flow has had some impact on the Group's financial position. The Group's management assesses the performance of current leased properties regularly and will determine necessary arrangements in the best and long-term interests of the Company and its shareholders. Moreover, any possible investment opportunities of the property operating business will always be explored because of the enormous population and strong consuming power in the PRC under the effects of the Belt and Road Initiative and the Internal/External Circular Economy; as a result, a robust market potential is foreseeable.

In response to ongoing challenges, the Group has been focusing on maintaining sustainable financial results from its property operating business to obtain a more profitable outcome. The Board gives its input in determining the Group's strategy development and planning process, as well as the generation and preservation of the Group's long-term value. Consequently, the Board closely monitors and regularly reviews the results of the implementation of the strategies, with the goal of reviving the Group's performance, enhancing its competitiveness and improving its share value.

CHAIRMAN'S STATEMENT

The Group continues with its prudent cost management policy to attain greater efficiency in operations and a reasonable financial position to pursue business development and new opportunities for strengthening its business momentum. The Group holds a moderate financial position, and its property operating business continues to contribute steady and constant cash flows. The Group maintains its long-standing commitment to a prudent and cautious financial management policy and is confident of increasing share value in the long term.

Looking forward, a steady business growth of the Group is expected in the future. We will adopt a vigilant approach in developing the existing projects and exploring new opportunities, including cooperation with business partners. We will continue to seek and invest resources in appropriate property operating projects with the objective of expanding our revenue sources, improving our profitability as well as diversifying our types of business to further develop the business of the Group and increase the shareholders' return.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my heartfelt thanks to the tenants, customers, bankers, business partners and shareholders of the Company for their incessant support and trust and to each staff member of the Group for their diligent work. The achievement of the Group and its readiness to continue tackling the biggest challenges at an unprecedented pace and scale would not be possible without the contribution of each of the staff members and their dedication.

Chen Jinyan
Chairman

Hong Kong, 17 October 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in property operating business through holding all equity interests in 鄭州中原錦藝商業運營管理有限公司 (Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.) ("Zhongyuan Jinyi"), 鄭州金福商業管理有限公司 (Zhengzhou Jinfu Commercial Management Co., Ltd.) ("Zhengzhou Jinfu") and 鄭州旭福商業運營管理有限公司 (Zhengzhou Xufu Commercial Operation Management Co., Ltd.) ("Zhengzhou Xufu") in the People's Republic of China (the "PRC"). The principal activity of Zhongyuan Jinyi, Zhengzhou Jinfu and Zhengzhou Xufu is property operating business.

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MANAGEMENT DISCUSSION AND ANALYSIS

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MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended 30 June 2024, the Group recorded a revenue of approximately HK$111,160,000 (2023: HK$143,233,000), approximately 22.4% less than that in 2023. Revenue of the Group included the monthly income of rental, management and operating services received and receivable from the tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall. The decrease in revenue during the year ended 30 June 2024 was due to certain areas of the Jiachao's Shopping Mall involved in the litigation with the landlord's creditor, the Group therefore could not generate any income on such areas.

Gross Profit

The gross profit margin was approximately 64.5% for the year ended 30 June 2024 (2023: 73.8%). Property operating segment has simple costs of sales due to its business nature, such as water, electricity and heat supply charges, rent, salary and wages, marketing and promotion expenses, public security and hygiene expenses, repair and maintenance fees etc. incurred for operating the shopping malls. The decrease in gross profit margin was due to a decrease in revenue because of certain areas of the Jiachao' Shopping Mall involved in the litigation with the landlord's creditor, the Group therefore could not generate any income on such areas.

Loss for the Year

The Group's loss incurred for the year ended 30 June 2024 was approximately HK$270,792,000 (2023: HK$683,448,000). The loss margin was approximately 243.6% for the year ended 30 June 2024 (2023: 477.2%). Both decreased significantly for the year ended 30 June 2024 mainly because of a substantial decrease in loss on fair value changes of the Group's investment properties, the Jiachao's Shopping Mall and the Zone C Shopping Mall, of approximately HK$260,870,000 (2023: HK$720,225,000) due to slow recovery of China's macro-economy during the current year, particularly the real estate market. Some real estate companies still have financial pressure. Under the influence of multiple factors, the supply and demand ends of the commercial real estate market are still weak.

Other Income and Other Gain and Loss

Other income and other gain and loss for the year ended 30 June 2024 was approximately HK$13,253,000 (2023: HK$28,476,000), which comprised interest incomes and other kinds of incomes generated from property operating segment, such as car parking fees and other services provided to tenants. The decrease in other income and other gain and loss was mainly because loan interest income was reduced significantly for the year ended 30 June 2024.

Expenses

Administrative expenses amounted to approximately HK$24,742,000 (2023: HK$21,766,000), representing approximately 22.3% (2023: 15.2%) of revenue for the year ended 30 June 2024. Administrative expenses increased in the current year due to more professional fees incurred for the adoption of a new share option scheme, appointments of new directors and company secretary etc. and more operating expenses incurred for new property operating market development.

Allowance for expected credit loss on rental deposits amounted to approximately HK$89,712,000 (2023: HK$19,247,000) for the year ended 30 June 2024 was due to the seizure and title transfer of certain areas of the Jiachao's Shopping Mall by a number of banks and financial institutions as a result of the exercise of their rights under the pledges of the shopping mall created by its owner, which in turn increased the credit risk to a certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS

Reversal of allowance for expected credit loss on loan receivables was approximately HK$37,310,000 because of settlements of RMB20 million and HK$15 million made by the Borrower during the year ended 30 June 2024. There was no allowance for expected credit loss on loan receivables for the year ended 30 June 2024 (2023: HK$184,361,000). The Renewed Loan had not been settled on its maturity date, hence, the Borrower was considered to be in default as of 28 April 2023, and therefore, that loan receivable was transferred to stage 3 or written-off during the year ended 30 June 2023 where lifetime expected credit loss was recognised. Moreover, there was no allowance for expected credit loss of another loan receivable of HK$18 million arranged during the yaer ended 30 June 2024 because of its pledged securities and subsequent settlement made after the reporting period.

Gain on lease modification was approximately HK$41,698,000 (2023: Nil). As described in note 34 to the consolidated financial statements, since certain areas of the Jiachao's Shopping Mall was involved in litigation with a creditor of its landlord, the rental area of 50,532.48 square meters of the Jiaochao's Shopping Mall was deducted from the Jiachao's Lease Contract pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province. In light of the above, Zhongyuan Jinyi and Zhengzhou Jiachao entered into the Supplemental Agreement to amend the leased area under the Jiachao's Lease Contract starting from 22 June 2024, which constituted a lease modification in the year ended 30 June 2024.

For the lease modification, the Group remeasured lease liabilities corresponding to the remaining leased area of the Jiachao's Shopping Mall. The remeasured amount that differed from the original lease liabilities was reduced from the Group's lease liabilities, which was calculated to be approximately RMB195 million (equivalent to approximately HK$212,350,000). At the same time, the entering into of the Supplemental Agreement as tenant by Zhongyuan Jinyi required the Group to derecognise the amount from the Group's investment properties, because of the reduction of the leased area under the Jiachao's Lease Contract. The fair values derecognised by the Group under the Supplemental Agreement amounted to approximately RMB157 million (equivalent to approximately HK$170,652,000). By doing so, the Group recognised a gain from lease modification of approximately HK$41,698,000 (2023: Nil) during the year ended 30 June 2024.

The carrying value of the Group's investment properties, partial of the Jiachao's Shopping Mall and the Zone C Shopping Mall, as of 30 June 2024 of approximately HK$568,817,000 (2023: HK$995,699,000) was stated at fair value based on an independent valuation as at that date, which produced a loss on fair value changes of investment properties of approximately HK$260,870,000 (2023: HK$720,225,000). Decrease in the carrying value and the loss on fair value changes of investment properties was mainly due to slow recovery of China's macro-economy during the current year, particularly the real estate market. Some real estate companies still have financial pressure. Under the influence of multiple factors, the supply and demand ends of the commercial real estate market are still weak. As a result, the commercial rental performance decreased. The PRC government has made expanding domestic demand and increased customer consumption through some measures. In addition, customer consumption demands are constantly upgrading, and they pay more attention to consumption experience. The young customers (generation Z) prefer the integration of concepts such as green, health, humanities and art, which can fit their interests, hobbies and lifestyles. The Group has conducted large-scale marketing and promotional activities to fit and attract different kinds of customers.

Finance costs amounted to approximately HK$39,485,000 (2023: HK$43,761,000), representing approximately 35.5% (2023: 30.6%) of revenue for the year ended 30 June 2024. Decrease in finance costs was mainly due to fewer interest expenses of lease liabilities incurred during the year ended 30 June 2024 because lease modification with respect to certain areas of the Jiachao's Shopping Mall involved in the litigation with a creditor of its landlord was carried out.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2024 (2023: Nil).

During the year ended 30 June 2024, the Board declared and paid a special dividend of HK$0.001 per share to the shareholders of the Company.

FUTURE PLANS AND PROSPECTS

In view of achieving the best interests of the Company and its shareholders as a whole, the Group has been putting effort on developing and expanding its operations of property operating business. Substantial resources have been placed to explore prospects and develop relevant markets. The Company therefore expands its property operating business through its indirect wholly-owned PRC subsidiary which holds entire equity interests in 鄭州英睿物業服務有限公司 (Zhengzhou Yingrui Property Services Co., Ltd.) ("Zhengzhou Yingrui") after the reporting period. Zhengzhou Yingrui leased 42 units with a rental period to expire in the first half of 2027 and with a gross floor area of approximately 130,873 square meters in an industrial park, the Jinyi Zhiyun City, located in Xinmi City, Henan Province, the PRC. The Group promoted and further rented out the Jinyi Zhiyun City to approximately 79 tenants and approximately 73.2% of the lettable area had been leased out after the reporting period as production, processing and sales of men's and women's shoes, processing and sales of shoe accessories and wholesale of groceries. The Group will continue to enlarge the properties for its property operating business by exploring other properties including similar industrial parks.

The Group targets to engage in the provision of rental, management and operating services to more tenants of different kinds of properties in various locations. The Group persists in upgrading the tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall by offering tenancies to more popular brands and diversifying the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large-scale marketing and promotion activities to raise the popularity of the shopping malls, paying close attention to the business operations, helping key merchants in time and following closely with market trends to make appropriate management decisions in a timely manner so that a stable and constant stream of income and consistent cash flow can be continuously generated to the Group.

The world keeps changing during and after the time of the epidemic, in particular geopolitical tensions, regulatory changes and the high-interest-rate environment, of which, global economy in the coming year would still be highly variable and its pace of recovery from economic uncertainties continues to fluctuate. This poses a tremendous challenge to the Group. Nevertheless, the Group has been striving to use all its resources on hand flexibly to cope with the difficulties. By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate different areas of the property operating market, explore other new market potential and increase profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to deploy its resources on the property operating business including but not limited to (i) apart from the current caliber management and competent employees of its subsidiaries, recruit more candidates with high-caliber and experience in property operating business; (ii) explore suitable shopping malls/properties to expand the Group's property management and operating portfolio; (iii) possible merger and acquisition of asset-light property operating business in the PRC so as to further expand the Group's property management and operating portfolio; and (iv) keep implementing conservative and stringent cost control policies to maintain sufficient working capital and alleviate the financial pressure on the property operating business by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

According to the National Bureau of Statistics, in the first half year of 2024, gross domestic product was approximately RMB61.7 trillion, representing an increase of approximately 5% to the corresponding period in 2023. The PRC government also gradually implemented policies to expand domestic demand for goods and services and promote consumption, which is expected to continue effectively to stimulate consumption potential, in particular household, promote the release of consumer demand, and thereby enhance merchant confidence. The shop leasing market in different cities is expected to continue to recover.

Looking forward, the Group continues to place on its property operating business by enhancing the value and economic returns of the existing two shopping malls, expanding the properties the Group operates and diversify the Group's business when and where opportunities arise. By continually capturing opportunities for expansion and diversifying the Group's business with extra prudence in flexibility and efficiency in the management, decision-making and long-term strategy formulation, the market value of the Company and the return to its shareholders will be maximised in the long term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had net current liabilities and total assets less current liabilities of approximately HK$51,194,000 (2023: HK$117,001,000) and HK$571,561,000 (2023: HK$1,052,451,000), respectively. The Group has maintained its financial position by financing its operations with internally generated resources and issue of bonds. As at 30 June 2024, the Group had cash and bank deposits of approximately HK$40,239,000 (2023: HK$33,152,000). The current ratio of the Group was approximately 63.3% (2023: 35.2%).

Total deficit of the Group as at 30 June 2024 was approximately HK$7,938,000 (total equity in 2023: HK$268,442,000). As at 30 June 2024, two bonds (2023: two bonds) measured at amortised cost was approximately HK$10,005,000 (2023: HK$10,003,000) in aggregate, the gross debt gearing ratio (i.e. bonds/shareholders' fund) was approximately negative 126.0% (2023: 3.7%). The substantial shareholders have agreed to provide the Company with sufficient financial support to enable the Company to meet its obligations to third parties as and when they fall due and to continue as a going concern.

Though the return of funds has slowed down since 2020 as a result of the ongoing COVID-19 epidemic, the Group still has maintained and will continue to maintain a reasonable amount of working capital on hand in order to maintain its financial position, and sufficient resources are expected to be generated from its business operations and financial support from the substantial shareholders of the Company in meeting its short-term and long-term obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCING

As at 30 June 2024, the Group had no borrowing facilities. As at 30 June 2023, the total bank facilities of the Group amounted to approximately HK$6,129,000, of which, no facilities was utilised.

In addition, two bonds (2023: two bonds) amounted to approximately HK$10,005,000 (2023: HK$10,003,000) in aggregate, measured at amortised cost, were arranged with one (2023: one) independent third party.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms.

CAPITAL STRUCTURE

As at 30 June 2024, the share capital of the Company comprised ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the year ended 30 June 2024, the Group was not subject to any significant exposure to foreign exchange rates risk as most of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

CHARGE ON GROUP'S ASSETS

As at 30 June 2024, the Group did not pledge any assets to any banks or financial institutions.

As at 30 June 2023, the building and the leasehold land of the Group with net carrying amount of approximately HK$3,278,000 and HK$3,563,000, respectively, were pledged to a bank to secure bank facilities granted to the Group.

CAPITAL EXPENDITURE

During the year ended 30 June 2024, the Group invested approximately HK$70,000 (2023: HK$203,000) in property, plant and equipment, all was used for purchase of leasehold improvements and office equipment.

As at 30 June 2024, the Group had no capital commitments in property, plant and equipment (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

STAFF POLICY

The Group had 132 employees altogether in the PRC and Hong Kong as at 30 June 2024. The Group offers comprehensive and competitive remuneration, retirement schemes and a benefit package to its employees. A discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contributions to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contributions to fund the endowment insurance, unemployment insurance, medical insurance, employees' compensation insurance and birth insurance (for employers only) at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

Three independent non-executive Directors are appointed by the Company for a term of one year commencing from 25 July, 19 September and 1 December each year respectively.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Jinyan (陳錦艷), aged 55, is the founder of the Group, the Executive Director and the Chairman of the Company and is responsible for the Group's operation. Mr. Chen has over 10 years of experience in property operations. Mr. Chen obtained a Diploma in the Design of Textile Products from the Textile Engineering Faculty of Jiangxi Textile Industry Academy* (江西紡織工業學院) and thereafter had over 28 years of experience in the textile industry. He is the executive director and executive vice president of China Federation of Overseas Chinese Entrepreneurs* (中國僑商聯合會) and the president of Henan Province Overseas Chinese Entrepreneurs* (河南省僑商聯合會). He is the elder brother of Mr. Chen Jindong.

Mr. Su Peixin (蘇培欣), aged 34, is appointed as Executive Director and the Chief Executive Officer of the Company in August 2024 and is responsible for administration and finance of the Group. Mr. Su has over 14 years of experiences in the property development industry. Mr. Su worked for Fujian Quanzhuo Nanan City Xinyi Property Development Co. Ltd.* (福建泉州南安市鑫溢房地產開發有限公司) and served as the project vice-president and supervisor from May 2010 to December 2014, a director and the sales director from December 2014 to December 2018 and a director and the operation director from December 2018 to June 2021. Before joining the Company, Mr. Su worked for Hebei Hong Pu Real Estate Co. Ltd.* (河北鴻樸置業有限公司) as the chief executive officer from August 2021.

Mr. Yao Linying (姚霖穎), aged 38, is appointed as an Executive Director of the Company in June 2024 and is responsible for screening, reviewing, research and analysis of the Company's external investment projects, and post-investment management and follow-ups. Mr. Yao has over 10 years of experience in investments area. Mr. Yao graduated from Coventry University in the United Kingdom with a master's degree of business administration in global financial services in November 2012.

Mr. Chen Jindong (陳錦東) (resigned on 21 August 2024), aged 53, was the previous Executive Director and Chief Executive Officer of the Company and was responsible for administration and finance of the Group. Mr. Chen has over 10 years of experience in property operations. Mr. Chen obtained a Diploma in Industrial and Financial Accounting from Fuzhou Industrial Academy* (福州工業學院) and thereafter had over 25 years of experience in the textile industry. He is the younger brother of Mr. Chen Jinyan.

* *For identification only*

DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Hon Wang (莊瀚宏), aged 50, is appointed as an Independent Non-executive Director in July 2024. Mr. Chong currently is a Certified ESG Planner certified by the International Chamber of Sustainable Development as well as a Chartered Tax Adviser from the Taxation Institute of Hong Kong. Mr. Chong also holds the Certified Public Accountant (Practicing) Certificate issued by the Accounting and Financial Reporting Council. Mr. Chong obtained a Bachelor degree of Arts in Accountancy from the Hong Kong Polytechnic University in 1996, followed by his study as an External Student with a Master degree of Science in Financial Management from the University of London in 1998. Mr. Chong was also granted a Bachelor degree of Laws from Tsinghua University in China in 2005. Mr. Chong has over 27 years of experience in auditing and accounting services.

Ms. Chong Sze Pui Joanne (張詩培), aged 51, is appointed as an Independent Non-executive Director since December 2016. Ms. Chong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Institute of Chartered Accountants Ontario, Canada and a Certified Public Accountant of the American Institute of Certified Public Accountants. Ms. Chong obtained a Bachelor Degree of Commerce from the University of Melbourne in Australia in 1994. Ms. Chong has over 23 years of experience in auditing, taxation and business development.

Ms. Wang Yuqin (王玉琴), aged 69, is appointed as an Independent Non-executive Director since September 2021. Ms. Wang had over 25 years of experience in accounting before her retirement in May 2006. Ms. Wang had obtained a graduation certificate in Accounting from Henan Finance and Economics Academy* (河南財經學院) (Now known as Henan University of Economics and Law* (河南財經政法大學)). Ms. Wang was the finance manager of Henan Songyue Group Zhengzhou Yufeng Textile Co., Ltd.* (河南嵩嶽集團鄭州豫豐紡織有限公司) ("Yufeng") from 1982 to 1996 and the financial controller of Yufeng from 1996 to 2006.

Mr. Kwan Chi Fai (關志輝) (resigned on 25 July 2024), aged 60, was appointed as an Independent Non-executive Director since April 2016. Mr. Kwan is a Certified Public Accountant (Practising) in Hong Kong. Mr. Kwan is also a member of the Hong Kong Institute of Certified Public Accountants, a fellow of Association of Chartered Certified Accountants and a Certified Tax Advisor. Mr. Kwan has over 28 years of experience in auditing and accounting services.

* *For identification only*

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries as at 30 June 2024 are set out in note 33 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a description of the principal risks and uncertainties facing by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 14 of this annual report. This discussion forms part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61.

A special dividend of HK$0.001 per share (2023: Nil) was paid in March 2024. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2024.

FIVE YEAR 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 135 of the annual report.

INVESTMENT PROPERTIES

Details of movements during the year ended 30 June 2024 in investment properties of the Group are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 30 June 2024 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in reserves and changes in equity of the Company during the year ended 30 June 2024 are set out in note 32 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors (each an "Executive Director"):
Mr. Chen Jinyan
Mr. Chen Jindong (resigned on 21 August 2024)
Mr. Su Peixin (appointed on 21 August 2024)
Mr. Yao Linying (appointed on 24 June 2024)

Non-executive Director:
Ms. Cai Wenxiao (appointed on 28 November 2023 and resigned on 23 January 2024)

Independent Non-executive Directors:
Mr. Kwan Chi Fai (resigned on 25 July 2024)
Mr. Chong Hon Wang (appointed on 25 July 2024)
Ms. Chong Sze Pui Joanne
Ms. Wang Yuqin

In accordance with Articles 86 and 87 of the Articles of Association of the Company, Messrs. Su Peixin, Yao Linying, Chong Hon Wang and Ms. Wang Yuqin will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The service agreement for Mr. Chen Jinyan expired on 31 August 2024 and he was re-appointed by the Board on 1 September 2024 to continue to act as an Executive Director of the Company for a term of two years. Mr. Su Peixin has entered into a service agreement with the Company for a fixed term of one year commencing from 21 August 2024 and expiring on 20 August 2025 (both days inclusive), and subject to mutual agreement, his appointment will continue thereafter. Mr. Yao Linying has entered into a service agreement with the Company for a fixed term of one year commencing from 24 June 2024 and expiring on 23 June 2025 (both days inclusive), and subject to mutual agreement, his appointment will continue thereafter. Mr. Chen Jinyan's service agreements can be terminated by either party by giving three months' prior written notice. Mr. Su Peixin's service agreement and Mr. Yao Linying's service agreement can be terminated by either party by giving one month's prior written notice.

Each of the Independent Non-executive Directors entered into service agreements with the Company for a term of one year. Either the Company or Mr. Chong Hon Wang, the Independent Non-executive Director, may terminate the appointment by giving the other a prior notice of one month in writing before its expiration. Either the Company or Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin, the Independent Non-executive Directors, may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

Other than as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions
Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Jindong	Held by his spouse *(Note 1)*	369,100,000	13.73%
Mr. Chen Jinyan	Beneficial owner and held by controlled corporation *(Note 2)*	597,280,000	22.21%

Notes:

(1) Among the 369,100,000 shares, 324,340,000 shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Jindong, Ms. Lin Lin and 44,760,000 shares are held by Ms. Lin Lin. Mr. Chen Jindong is deemed to be interested in 369,100,000 shares of the Company.

(2) Among the 597,280,000 shares, 593,480,000 shares are held by Fully Chain Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan and 3,800,000 shares are held by Mr. Chen Jinyan. Mr. Chen Jindong is the younger brother of Mr. Chen Jinyan.

Other than as disclosed above, none of the Directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 June 2024.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options" below, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2024.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any director or any person engaged in the full-time employment of the Company, 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 ended 30 June 2024.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 30 to the consolidated financial statements.

DIRECTORS' REMUNERATION

The remuneration committee makes recommendations to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Lin Lin	Beneficial owner and interest in a controlled corporation	369,100,000	13.73%
Mr. Chen Jinqing	Beneficial owner and interest in a controlled corporation *(Note)*	188,315,000	7.00%
Dresdner VPV N. V.	Investment manager	139,755,200	5.20%

Note: Among the 188,315,000 shares, 166,000,000 shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing and 22,315,000 shares are held by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Jindong.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2024.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

The following table disclosed movements in the Company's share options during the year:

Grantee	Date of grant	Exercise period	Exercise price HK$	Outstanding as at 1.7.2023	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 30.6.2024
Employees	15.1.2018	15.1.2018 to 14.1.2028	0.430	26,850,000	–	–	–	**26,850,000**
Granted Total				26,850,000	–	–	–	**26,850,000**

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all of the Independent Non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2024, the aggregate sales attributable to the Group's five largest customers accounted for 11% (2023: 29%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 5% (2023: 17%) of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 44% (2023: 37%) of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 15% (2023: 14%) of the Group's total purchases.

None of the Directors, their associates or any shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

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

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur or about the execution and discharge of his/her duties or in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company during the year ended 30 June 2024.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to the Directors and eligible employees, details of these schemes are set out in note 29 to the consolidated financial statements for the year ended 30 June 2024.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 30 June 2024.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 24 to 37 of this annual report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES

Information on the work done and efforts made by the Company on environmental protection and other aspects for the sustainable growth and development of the business of the Group are set out in the Environmental, Social and Governance Report on pages 38 to 53 of this annual report.

EVENT AFTER THE REPORTING PERIOD

The Company understands that Zhengzhou Jiachao Property Services Co., Ltd.* (鄭州佳潮物業服務有限公司) ("Zhengzhou Jiachao"), the landlord of the Jiachao's Shopping Mall, has taken out loans and charged its properties, including the Jiachao's Shopping Mall, to the creditors. The Company further understands that certain creditors brought actions against Zhengzhou Jiachao for default in payments. Pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province ((2024) Yu 0102 Ming Chu No. 4142) (河南省鄭州市中原區人民法院(2024)豫0102民初4142號《民事判決書》), the leased area of 50,532.48 square meters of the Jiaochao's Shopping Mall was deducted from the lease contract dated 26 April 2021 entered into by Zhengzhou Jiachao as the lessor and Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* ("Zhongyuan Jinyi") (鄭州中原錦藝商業運營管理有限公司) as the lessee in respect of the Jiachao's Shopping Mall with a leased area of 125,188.32 square meters ("Jiachao's Lease Contract") and rental income from the sub-tenant with respect to those leased area shall be paid to the court. In light of the above, the parties entered into a supplemental agreement ("Supplemental Agreement") to amend the leased area under Jiachao's Lease Contract starting from 22 June 2024. Please also refer to the announcement of the Company dated 9 October 2024 for details.

AUDITOR

Following the resignation of Elite Partners CPA Limited and Peng Sheng CPA Limited as the auditor of the Company on 20 August 2024 and 16 September 2024 respectively, Confucius International CPA Limited ("CICPA") was appointed by the Board as the new auditor of the Company on 16 September 2024 to fill the casual vacancy.

The consolidated financial statements of the Company for the year ended 30 June 2024 were audited by CICPA.

On behalf of the Board

Chen Jinyan
CHAIRMAN

Hong Kong
17 October 2024

* *For identification only*

CORPORATE GOVERNANCE REPORT

The Group adheres to the purpose of "serving the country by industry", establishes the values of "integrity, dedication, teamwork, and win-win" and always clings to the business development direction of making the industry bigger and stronger. At present, the Group has successfully cultivated its core property operating business through its current resources and strengths, both human and financial. Moreover, the Group is committed to achieving the best corporate governance practices as a listed company. The corporate governance policy aims to improve the accountability and transparency of the Group by regulating the Group's corporate governance practices. During the year ended 30 June 2024, the Group applied the principles and met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Group has adopted the Model Code set out in Appendix C3 of the Listing Rules as the code of conduct regarding directors' securities transactions. All Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2024.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

THE BOARD

The Board reviewed the effectiveness of the policy annually in order to ensure the adherence of the Group's culture and satisfied with its implementation and effectiveness. During the year under review, the composition of the Board, with at least one-third of which are independent non-executive Directors, was as follows:

Mr. Chen Jinyan	*(Chairman, Executive Director)*
Mr. Chen Jindong	*(Chief Executive Officer, Executive Director)*
Mr. Yao Linying	*(Executive Director, appointed on 24 June 2024)*
Ms. Cai Wenxiao	*(Non-executive Director, appointed on 28 November 2023 and resigned on 23 January 2024)*
Mr. Kwan Chi Fai	*(Independent Non-executive Director)*
Ms. Chong Sze Pui Joanne	*(Independent Non-executive Director)*
Ms. Wang Yuqin	*(Independent Non-executive Director)*

Each executive Director (the "Executive Director(s)") has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Each independent non-executive Director ("INED(s)") has confirmed his/her independence with the Company and the Company considers that each of the INEDs to be independent under Rule 3.13 of the Listing Rules. Each INED was appointed for a term of one year. The Board members have no financial, business or other material/relevant relationships with each other except that Mr. Chen Jinyan is the elder brother of Mr. Chen Jindong.

Under Code Provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board has effectively overseen and monitored the activities of the Company and the decisions were made in the best interests of the Company and its shareholders taken as a whole. During the year ended 30 June 2024, ten Board meetings were held and the attendance of all Directors at the Board meetings was as follows:

Name of Directors	Attendance
Mr. Chen Jinyan	10/10
Mr. Chen Jindong	10/10
Mr. Yao Linying	0/0
Ms. Cai Wenxiao	0/1
Mr. Kwan Chi Fai	10/10
Ms. Chong Sze Pui Joanne	10/10
Ms. Wang Yuqin	10/10

Note: 1 Board meeting from 28 November 2023 to 23 January 2024 and no Board meeting from 24 June 2024 to 30 June 2024 was held during the year ended 30 June 2024.

The Board convened the Board meetings in performance of its duties, to consider, approve and review, inter alia,

- the interim review fee for the period ended 31 December 2023 and the annual audit fee for the year ended 30 June 2024;
- the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and their training programmes and budget;
- publication of interim and annual results announcements;
- declaration, recommendation and payment of interim, final and special dividends; and
- the internal control review report of the Company.

Directors' training is an ongoing process and its purpose is to improve Directors' knowledge of, and performance in, business operations and compliance matters. During the year ended 30 June 2024, the Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors should attend relevant training courses and can be claimed at the Company's expense. Moreover, all Directors are required to provide the Company with their respective training records. The record of continuing professional development relating to director's duties and regulatory and business development that has been received by the Directors for the year ended 30 June 2024 is summarised as follows: (i) attending training sessions such as briefings, seminars, conferences and workshops; and (ii) reading/studying relevant material such as newspapers, journals, magazines and others publications.

The Group has mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board, encouraging all directors including INEDs to express their views in an open manner during the Board/board committees meetings; while all INEDs are also members of the board committees to enable various and independent view in the Company's matters.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

In addition, all Directors, including INEDs, are entitled to seek further information and documentation from the management on the matters to be discussed at the Board meetings. They can also seek assistance from the company secretary (the "Company Secretary") and, where necessary, independent advice from external professional advisers at the Company's expense.

The Board considered the said mechanisms has been operating effectively.

OPERATION OF THE BOARD

The principal roles of the Board are to oversee the Company's operation, administration and finance, to design and set corporate policies and development strategies and to implement and monitor the Company's business plans, such as property operating market expansion and tenant growth with delighting shoppers, while the senior management is responsible for the execution of the Board's decisions in order to achieve the Company's goals and objectives. The Board has separate and independent access to the senior management for collecting information on operation.

The Board is also responsible for reviewing the effectiveness of the Group's internal control system annually. An external professional party conducted review of the effectiveness of the Group's system of internal control. The audit committee of the Board reviewed the findings and opinion of the external professional party on the effectiveness of the Group's system of internal control. In respect of the year ended 30 June 2024, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

Whistleblowing Policy

The Company has adopted Whistleblowing Policy to allow and encourage all employees to raise concerns about improprieties in matters of financial reporting, criminal action, environmental protection, compliance and other malpractices at the earliest. Employees can raise concerns in confidential about any improprieties such as misconduct and malpractice in any matter related to the Group. All the concerns received will be handled confidential in prompt and fair manner. The policy aims at protecting the whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

Anti-Corruption Policy

Anti-Corruption Policy is set up as a part of the employees' guideline. The employees should follow the anti-corruption policy as their daily working guideline. The Group is maintained a high standard of integrity, openness and discipline in the business operations. Combined with Whistleblowing Policy, the Group's expectations and requirement of business ethics is adopted with all employees.

In addition, the Board reviewed the adequacy of the resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and their training programmes and budget. The audit committee also reviewed and was satisfied with the adequacy of the staffing of the financial reporting functions.

CORPORATE GOVERNANCE REPORT

OPERATION OF THE BOARD *(Continued)*

Anti-Corruption Policy *(Continued)*

The Board comprises a majority of INEDs who are independent of and not related to each other and any members of the senior management. INEDs are members of all related committees. Separation of the role of the Chairman and the Chief Executive Officer ensures that there is a balance of power and authority. The Nomination Policy sets a maximum tenure of nine consecutive years for INEDs to be eligible for nomination by the Board to stand for re-election by shareholders. INEDs receive fixed fee(s) for their role as members of the Board. In assessing suitability of the candidates, the nomination committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skill matrix, the list of selection criteria approved by the Board, the Nomination Policy and the Board Diversity Policy.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows of the Group for that year ended 30 June 2024. The Directors ensure that the financial statements for the year ended 30 June 2024 were prepared in accordance with statutory requirements and applicable accounting standards. The financial statements were prepared on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. It is the responsibility of the auditor to form an independent opinion on these statements and to report their opinion to the Group.

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are segregated in order to ensure a balance of power and authority in the management of the Board and the day-to-day management of the business. Mr. Chen Jinyan is the Chairman of the Company and Mr. Chen Jindong, who is the younger brother of Mr. Chen Jinyan, is the Chief Executive Officer of the Company. The duties of the Chairman include:

(a) to ensure all Directors are properly briefed on issues arising at Board meetings;

(b) to ensure all Directors receive adequate information, which must be complete and reliable, in a timely manner;

(c) to provide leadership to the Board;

(d) to hold a meeting with the INEDs without the presence of other director annually;

(e) to ensure appropriate steps have been taken to provide effective communication with shareholders, such as release of website announcements, circulars, interim and annual reports and holding of annual general meeting etc.;

(f) to ensure that good corporate governance practices and procedures are established; and

(g) to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or other applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

The duties of the Chief Executive Officer include:

(a) to be responsible for the day-to-day management of the Group's business;

(b) to develop strategies and policies for the Board's approval;

(c) to be responsible for the performance of the Group and the implementation of the Board's strategies and policies;

(d) to maintain effective systems of internal control and risk management;

(e) to ensure that proper financial records and accounts are kept; and

(f) to ensure all applicable laws, rules and regulations and other relevant statements of best practice are complied with.

COMMITTEES OF THE COMPANY

The Board had established the audit committee, remuneration committee and nomination committee and their authorities and duties that stated in specific written terms of reference had been discussed and approved in the Board meeting.

AUDIT COMMITTEE

With specific written terms of reference, the audit committee of the Company (the "AC") comprises three members, all being INEDs; namely, Mr. Kwan Chi Fai, Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin. Mr. Kwan Chi Fai, who is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of Association of Chartered Certified Accountants and a Certified Tax Advisor, is the chairman of the AC. The AC's terms of reference are posted on the websites of the Company and the Stock Exchange.

The principal role and function of the AC are:

(a) in relation to the Company's external auditor, to recommend the Board on its appointment, re-appointment and removal, remuneration and terms of engagement of the external auditor, its independence, effectiveness of audit process, as well as nature and scope of audit and reporting obligations before the audit commences;

(b) to monitor the integrity of financial statements of the Group and the annual reports and interim reports focusing particularly on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions and qualifications, compliance with accounting standards and the Listing Rules;

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(Continued)*

(c) to review and make recommendations of the Group's financial control, internal control and risk management systems;

(d) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(e) where an internal audit function exists, to review the internal audit programme, ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(f) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;

(g) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

(i) to review the Group's financial and accounting policies and practices.

In addition, the AC has been delegated by the Board to be responsible for performing the corporate governance duties that are listed as follows:

(a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;

(b) to perform the Company's corporate governance functions;

(c) to review and monitor the training and continuous professional development of directors and senior management of the Company;

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

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

(f) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(Continued)*

During the year ended 30 June 2024, seven AC meetings were held and the attendance of its members was as follows:

Name of members	Attendance
Mr. Kwan Chi Fai	7/7
Ms. Chong Sze Pui Joanne	7/7
Ms. Wang Yuqin	7/7

The following is a summary of the work performed by the AC during the year ended 30 June 2024 in discharging its responsibilities and its duties set out in the CG Code:

- reviewed the annual report and interim report, focusing particularly on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the going concern assumptions, compliance with accounting standard and compliance with the Listing Rules and the Hong Kong Companies Ordinance;

- assessed the risk environment and risk management system, reviewed internal control procedure manual of the Group and auditor's findings and opinion on the Group's system of internal control and considered that the internal control system and the risk management system are effective and adequate and there is no immediate need to set up internal audit function within the Group. The AC will review and consider establish such department when it thinks necessary;

- reviewed the adequacy of the resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and their training programmes and budget and was satisfied with the adequacy;

- reviewed external auditor's significant audit matters;

- considered and approved the annual audit fee and interim review fee; and

- reviewed and monitored the external auditor's independence and engagement to perform non-audit services and the interim review for the period ended 31 December 2023 before the Board meeting.

The chairman of the AC reports the findings and recommendations of the AC to the Board after each meeting. The AC had discussed with the auditor regarding the annual audit for the year ended 30 June 2023.

The Group's audited consolidated financial statements for the year ended 30 June 2024 have been reviewed by the AC, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The AC considered that the existing proposed terms in relation to the appointment of the Group's external auditors are fair and reasonable.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

With specific written terms of reference, all members of the remuneration committee of the Company (the "RC") are INEDs; namely, Mr. Kwan Chi Fai, Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin. Mr. Kwan Chi Fai is the chairman of the RC. The RC's terms of reference are posted on the websites of the Company and the Stock Exchange.

The role and function of the RC include making recommendations to the Board on the Company's policy and structure for all remuneration of key executives of the Company, proposing their specific remuneration packages by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the Company's performance and ensuring that no Director or any of his/her associate(s) is involved in deciding his/her own remuneration. The RC performs an advisory role to the Board, with the Board retaining the final authority to approve key executives' remuneration. The RC should also review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The chairman of the RC reports the findings and recommendations of the RC to the Board after each meeting. During the year ended 30 June 2024, there were three RC meetings and the attendance of its members was as follows:

Name of members	**Attendance**
Mr. Kwan Chi Fai	3/3
Ms. Chong Sze Pui Joanne	3/3
Ms. Wang Yuqin	3/3

The work performed by the RC during the year ended 30 June 2024 included the review of the remuneration policy for this financial year and the remuneration of the Executive Directors and the INEDs.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

With specific written terms of reference, all members of the nomination committee of the Company (the "NC") are INEDs; namely, Mr. Kwan Chi Fai, Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin. Mr. Kwan Chi Fai is the chairman of the NC. The NC's terms of reference are posted on the websites of the Company and the Stock Exchange.

The role and function of the NC include:

(a) to review the structure, size and composition (including the skills, knowledge, diversity and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes so as to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships with due regard for the benefits of diversity on the Board with reference to the Board diversity policy;

(c) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;

(d) to assess the independence of INEDs in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations;

(e) to review the Diversity Policy, to develop and review measurable objectives for implementing the Diversity Policy and to monitor the progress on achieving these objectives; and

(f) where the Board proposes a resolution to elect an individual as an INED at the general meeting, the NC should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

The chairman of the NC reports the findings and recommendations of the NC to the Board after each meeting. During the year ended 30 June 2024, there were three NC meetings and the attendance of its members was as follows:

Name of members	Attendance
Mr. Kwan Chi Fai	3/3
Ms. Chong Sze Pui Joanne	3/3
Ms. Wang Yuqin	3/3

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Continued)*

The NC recommended that one Executive Director, Mr. Chen Jinyan and one INED, Ms. Chong Sze Pui Joanne, retiring by rotation at the annual general meeting (the "AGM") held in November 2023, be re-elected. The NC made this recommendation for re-appointment based on their contributions to the Board and their firm commitment to their roles. The Board accepted the NC's recommendation and accordingly, the Executive Director and the INED above offered themselves for re-election at the AGM held in November 2023. The NC also considered the contribution of each Director to the effectiveness of the Board, reviewed the attendance and participation of the Directors at the Board and Board meetings.

During the year ended 30 June 2024, the NC reviewed the structure, size, and diversity of the Board and the Board Diversity Policy so as to ensure that the Board's composition complies with the Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the Company's strategy, governance, and business and contribute to the Board's effectiveness and efficiency.

As at 30 June 2024, there were two female Directors in the Board which brought the female representation equal to one-third of the Board. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. In considering the Board's succession, the NC would help identify potential candidates for INEDs, as and when appropriate. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Nomination Policy

The NC recommends candidates for nomination to the Board, which approves the final choice of candidates. The NC is responsible to maintain the nomination policy of the Company (the "Nomination Policy") and review the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

The NC shall consider any and all candidates recommended as nominees for Directors to the committee by any Directors or shareholders of the Company in accordance with its Articles of Association. The NC may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The NC shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of INEDs) to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives.

The NC may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The NC shall review the Nomination Policy from time to time.

CORPORATE GOVERNANCE REPORT

AUDITOR'S SERVICES

(a) Audit service

The fee for annual audit quoted by Elite Partners CPA Limited ("Elite Partners") had been reviewed by the Board and the AC. For the year ended 30 June 2024, the auditor's remuneration was HK$1,200,000.

Elite Partners resigned as the auditor and Peng Sheng CPA Limited ("Peng Sheng") was appointed as the auditor on 20 August 2024. Please refer to the announcement dated 20 August 2024 for more information in respect of the change of auditor.

The fee for annual audit quoted by Peng Sheng had been reviewed by the Board and the AC. For the year ended 30 June 2024, the auditor's remuneration was HK$600,000.

Peng Sheng resigned as the auditor and Confucius International CPA Limited ("CICPA") was appointed as the auditor on 16 September 2024. Please refer to the announcement dated 16 September 2024 for more information in respect of the change of auditor.

The fee for annual audit quoted by CICPA had been reviewed by the Board and the AC. For the year ended 30 June 2024, the auditor's remuneration was HK$1,200,000.

(b) Non-audit service

The fee charged by Elite Partners of interim review for the period ended 31 December 2023 was HK$280,000. Elite Partners reviewed the interim financial statements.

BOARD DIVERSITY POLICY

The Board and the NC adopted and approved the Diversity Policy for the purpose of supporting the attainment of strategic objectives and sustainable and balanced development of the Company. A summary of the Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Measurable Objectives

In designing the Board's composition, all Board appointments will be based on merits, and candidates of the Board membership will be considered against objective criteria, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with due regard for the benefits of diversity on the Board. The Board believes that such meant-based appointments will be best enabled the Company to serve its shareholders. As at the date of this report, the Board comprised four male Directors and two female Directors which represent approximately 67% and 33%, respectively, of the total member of the Board, with different age, experience, background and diversity perspectives, which have been disclosed in biographical details of Directors of this annual report.

Monitoring and Reporting

The NC will report annually the composition of the Board in the Corporate Governance Report. The NC will also review the objectives of the Diversity Policy and closely monitor it in order to ensure the implementation of this policy. Furthermore, the NC will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY *(Continued)*

Monitoring and Reporting *(Continued)*

As at the date of this report, the Board comprised six Directors, three of them were INEDs, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

DIVIDEND POLICY

The Company has in place of a dividend policy. Any declaration and payment of dividend shall be determined at the sole discretion of the Board with the long term objective of maximising shareholder value of the Company.

According to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) operating and financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) taxation considerations;

(f) capital requirements and expenditure plans;

(g) interests of shareholders;

(h) any restrictions on payment of dividends; and

(I) any other factors that the Board may consider relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands, any applicable laws, rules and regulations and the Articles of Association of the Company.

Any declaration and payment of future dividends under the dividend policy are subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board uses the AGM to communicate with shareholders and encourages their participation. At the AGM held in November 2023, the Chairman proposed a separate resolution in respect of each substantially separate issue. The Chairman also arranged a member of the AC and the auditor to answer questions at the meeting. Moreover, the Company provides extensive information to its shareholders in its annual reports, interim reports, announcements and circulars that are published on the websites of the Company and the Stock Exchange. Shareholders may at any time send their enquiries and concerns to the Board addressing to the Company Secretary of the Company by fax or by post to the Company's head office and principal place of business in Hong Kong as follows:

Art Group Holdings Limited
Unit A, 1st Floor
Yun Tat Commercial Building
70-74 Wuhu Street
Kowloon, Hong Kong
Fax: +852 3106 6987

COMPANY SECRETARY

The Company Secretary is Ms. Yeow Mee Mooi. The Company Secretary is an employee of the Company and has day to day knowledge of the Group's affairs. She reports to Chairman and Chief Executive Officer. The Board has access to the advice and service of the Company Secretary to ensure that the board procedures and all applicable laws, rules and regulations, are followed. She had taken not less than 15 hours of relevant professional training during the year ended 30 June 2024 as required under Rule 3.29 of the Listing Rules.

During the year ended 30 June 2024, Ms. Shum Ching Yee Jennifer was the Company Secretary for the period from 1 December 2023 to 23 January 2024.

RIGHTS OF SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles of Association of the Company, 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 shall at all times have the right, by written requisition to the Board or the Secretary of the Company deposited at the Company's head office and principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

VOTING BY POLL

The Articles of Association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

The poll results will be published on the websites of the Stock Exchange and of the Company as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

CHANGES TO CONSTITUTIONAL DOCUMENTS

The Company has not made any amendments to its constitutional documents during the year ended 30 June 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to the long term sustainability of the environment and communities in which it engages. Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. This report is prepared by the Group in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG Reporting Guide") set out in Appendix C2 to the Listing Rules. This report complies with the "comply or explain" provisions set out in the ESG Reporting Guide for the year ended 30 June 2024 by making general disclosures on environmental and social information.

The corporate governance is the key to effective ESG management. The Board assumes the overall ESG responsibility and is committed to strong ESG performance. The Board holds meetings to assess the ESG risks; formulate the ESG strategies and policies and ensure the establishment and maintenance of effective internal control procedures on the ESG aspects of its business and operations. The Board also regularly discusses with the management to check the execution of strategies and policies and collect feedback from the stakeholders. Independent assessment organisation was also engaged to further evaluate the environmental aspect of the Group's business and operations. With such governance structure, the Board can effectively oversee ESG issues with both internal and external perspectives taken into consideration.

The Group has adhered to the following reporting principles in its preparation of the report.

Materiality: The Group has identified material ESG topics relevant to its development and operation through internal review and communication with stakeholders to understand their concerns and expectations.

Quantitative: The Group accounts for and discloses key performance indicators ("KPIs") in quantitative terms for proper evaluation of the effectiveness of ESG policies and actions.

Balance: The report aims to disclose data in an objective way, which aims to provide stakeholders with a balanced overview of the Group's overall ESG performances.

Consistency: The Group adopts consistent measurement methodology to achieve meaningful comparison of ESG performances over time whenever practicable. Any updates in the methods or KPIs used will be disclosed.

The Group further strengthened ESG reporting by expanding and prioritising group-wide efforts and activities on ESG. The Group is now reviewing, updating and refining its ESG-related issues in order to ensure the consistency of its policies, systems, processes and standards with global best practice and trends. As the ESG rating and disclosure guidelines evolve, the Group's disclosures will be followed accordingly.

THE BOARD STATEMENT

The board of directors (the "Board") believes that good environmental conditions, social impact and governance structure are important to the Group's development. The Group should have a long-term strategic management mission and firmly believes that the positive realization of ESG is the cornerstone of sustainable development. In order to achieve the Group's commitment to long-term operation and sustainable development, the Group adopts different guidance and monitoring system to ensure the operation is efficient and minimise the risk of operation. The Board regularly reviews the sustainability goals and policies and implements appropriate management measures to ensure that the Group keeps pace with the times and its commitment to sustainable development is not only a mission of an enterprise, but also a driving force for our success in market.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE BOARD STATEMENT *(Continued)*

Since the Group has community members, customers, employees, government and regulatory agencies, shareholders and investors, suppliers and tenants, as significant stakeholders, the Group during the course of its business maintains communications with them to understand their view and meet their expectations. The Group strives to integrate ESG considerations in its daily property operations. Reducing and controlling emissions of gas and waste remains a top priority for the Group by having in place policies and indicators in specific areas to encourage waste reduction, recycling and sustainability.

The below table presents key stakeholders of the Group and how the Group communicates with them through variety of communication channels:

Stakeholders	**Communication Channels**
Community members	– Community activities participation – Charity and social donation
Customers	– Company website – Annual reports, interim reports, ESG reports and other public information – Emails and customer support hotline – Customer feedback forms
Employees	– Trainings – Meetings – Performance evaluations – Emails
Government and regulatory agencies	– On-site inspections and checks – Regular dialogue and filings – Annual reports, interim reports, ESG reports and other public information – Emails
Shareholders and investors	– Annual general meetings and other general meetings of shareholders – Company website – Annual reports, interim reports, ESG reports and other public information – By fax and by post – Emails
Suppliers	– Meetings – Regular review – Emails
Tenants	– Meetings – Emails

The operations of the Group have impacts on various stakeholders while stakeholders have different expectations of the Group. Looking forward, the Group will continuously strengthen its communications with its stakeholders, and extensively collect stakeholders' opinions on various ways that would lead to a more comprehensive materiality analysis. Meanwhile, the Group would also enhance the reporting principles in terms of quantitative, balance and consistency, and define the presentation of content and information of the report in a way which better conforms to stakeholders' expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

To better understand the views and expectations of stakeholders on the ESG performance of the Group, materiality assessment is conducted annually to assess the importance of ESG issues to the stakeholders and to identify ESG related risks and opportunities. The Group considered the significance of all potential ESG issues by assessing their importance to the stakeholders and the Group through various communication approaches.

Qualified testing personnel of an experienced testing company in the People's Republic of China (the "PRC") identified and selected ESG factors based on the operating conditions of the investment properties and then provided the quantitative information for the reporting of emissions. The testing equipment is kept in good working conditions and they are checked and maintained regularly. The testing work is based on "Technical Guideline on Environmental Monitoring Quality Management"《環境監測品質管制技術導則》. The intensity of emissions and resources usage are calculated by using the total gross floor area of the investment properties.

In order to preserve a meaningful comparison, there was no material change to the methods or KPIs used by the Group in the years ended 30 June 2023 or 30 June 2024. The Group did not have any reporting boundaries of the ESG report. Moreover, the Group identified property operating area to be included in the ESG report because it is the principal business activity of the Group.

The table below illustrates the result of the Group's materiality assessment. The listed issues are also considered to be the most material and may have significant influence over the Group's ESG performance.

Aspects	**Material issues**
Environment	Air Emission
Employment and Labour	Occupational Health and Safety Employee Relationship
Operations	Supplier Management
Community	Community Investment

Contact Us

The Group values your feedback and opinions on sustainable development performance. You could provide valuable opinions on this ESG report or on the Group's performance of sustainable development as follow:

Art Group Holdings Limited
Unit A, 1st Floor
Yun Tat Commercial Building
70-74 Wuhu Street
Kowloon, Hong Kong
Fax: +852 3106 6987

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

Emissions

Air Emissions by the Group

In accordance with the "Environmental Protection Law of the PRC"《中華人民共和國環境保護法》 and the "Regulations on the Administration of Environmental Protection of Construction Projects"《建設項目環境保護管理條例》, the facilities for pollution prevention and control in the construction project must be designed, constructed and put into use at the same time as the main project. Pollution prevention and control facilities, such as "three simultaneous" concept, are considered as the effective measures to strictly control the new pollution sources and pollutant emissions and to curb the trend of environmental deterioration. During the project construction and operation period, the Group's pollution prevention and control measures strictly complied with the relevant regulations and standards of the PRC government.

During the reporting period, the Group's emissions were mainly underground garage and automobile exhaust and amounted to approximately 0.84 tons of carbon monoxide (2023: 0.9 tons) in total. From the understanding of the Group, after the real estate developer sets up an independent air supply and exhaust system in underground parking lot, the impact of automobile exhaust on the surrounding environment becomes minimal. 11 exhaust pipes installed in the underground garage discharged emissions for approximately 2,900 hours per annum (2023: 2,900 hours per annum). Though the Group is only responsible to operate the underground garage, it also observes the status of the exhaust emissions from time to time.

Air emission by Group's tenants

In order to prevent the pollution caused by catering industry fumes on the atmospheric environment and living environment, the catering tenants of the Group, in accordance with the "Air Pollution Control Law of the PRC"《中華人民共和國大氣污染防治法》and "Catering Fume Emission Standards"《飲食業油煙排放標準》specially formulated by the Ministry of Environmental Protection of the PRC, installed fume purification facilities and implemented pollution prevention and control measures to achieve pollutant discharge standards. Fume purification facilities are installed and used by the catering tenants after inspection and approval by the organisations qualified by the PRC government. From the understanding of the Group, the specifications of the fume purification facilities are in compliance with the relevant standards, and the Environmental Protection Administrative Department is responsible for monitoring the implementation. The Group also monitors the status of fumes emissions in the catering shop units from time to time.

The Group also encourages the catering industry to reduce the fumes and suggests the catering industry to develop "smoke-free cuisine" as a part of the menu. The Group also welcomes public to monitor any restaurant emit any oily cooking fumes and odour.

Waste water discharge

Through the use of rain and sewage diversion system and the compliance of sewage treatment by the septic tank, the Group deals with waste water drainage by the municipal sewage pipe network in accordance with the sewage standards issued by the relevant PRC government departments. The real estate developer had built altogether 7 sewage outfall for the purpose of sewage discharge in the shopping malls. The quality of waste water discharged by the Group met the third standard of the "Integrated Wastewater Discharge Standard"《污水綜合排放標準》(GB8978-1996) and B grade standard of the "Sewage into the City Sewer Water Quality Standard"《污水排入城市下水道水質標準》(CJ343-1996) before the waste water is transferred to the Wulongkou sewage treatment plant. According to the test data of a testing company, the sewage discharge measured throughout the whole reporting period was approximately 105 kilograms (2023: 100 kilograms).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL *(Continued)*

Emissions *(Continued)*

Waste Management

In the public areas of the shopping malls managed by the Group, the Group has set up waste sorting bins, handles the waste in a timely manner and maintains the sanitation around the collection bins. The Group centralises the wastes collected in the public areas of the shopping malls managed by it for disposal. According to the requirements of the government departments, the Group carries out the collection of wet and dry domestic wastes and their separation in the designated areas. These wastes are then transported to the municipal solid waste recycling station for unified destruction. Moreover, the following procedures are implemented: (i) an agreement was signed with a kitchen waste treatment company which is assigned by the Zhengzhou City Municipal Government; (ii) a domestic garbage dumping certificate was obtained; (iii) an agreement was signed with a disinfect and pesticides company for regular sterilisation of public areas and merchant shops; (iv) unified collection of merchant wastes at unified recycling station; and (v) uniform treatment of swill.

During the reporting period, the Group produced three types of non-hazardous waste, namely (i) 6,600 cubic meters of construction waste (2023: 6,900 cubic meters), such as renovation and decoration materials from tenants and promotion activities; (ii) 7,900 cubic meters of domestic waste (2023: 8,000 cubic meters), such as packing materials and sundry items etc.; and (iii) 2,190,000 liters of kitchen waste (2023: 1,900,000 liters). The intensity of these three types of non-hazardous waste production was 0.03 cubic meters/square meter (2023: 0.03 cubic meters/square meter), 0.04 cubic meters/square meter (2023: 0.04 cubic meters/square meter) and 10.67 liters/square meter (2023: 9.25 liters/square meter), respectively. To the knowledge of the Directors, no hazardous waste is produced in the Group's operation.

The emission target of air is 1.5 tons (2023:1.5 tons). The Group strengthens publicity and guidance to advocate green travel, promote the use of new energy vehicles, introduce new energy vehicle brands and install new energy vehicle charging piles in parking lots. The emission target of waste water discharge is 150 kilograms (2023: 150 kilograms). The Group strengthens the promotion of waste water discharge reduction and management to catering tenants and ensures that the waste water from catering tenants is discharged after doing some measures, such as oil separation and residue filtration. The emission targets of three types of non-hazardous waste are 7,000 cubic meters of construction waste (2023: 6,000 cubic meters), 15,000 cubic meters of domestic waste (2023: 15,000 cubic meters) and 2,500,000 liters of kitchen waste (2023: 2,500,000 liters). The construction waste increased to 7,000 cubic meters for the reporting period as the Group had foreseen the end of the contracts of some tenants and some new tenants joined the shopping malls. The Group suggested all tenants try to reduce, reuse and recycle the renovation and decoration materials. However, all tenants had their own design language; some new tenants might use the existing renovation and decoration materials. Furthermore, the Group makes a good classification of the waste and hands it over to the supplier for unified processing, strengthens publicity and guidance to stabilise tenants' business operations for reducing shop replacements, conducts online promotion activities, advocate low-carbon and green lifestyles, reduce the use of plastic products, such as disposable chopsticks and plastic bags and promote proper meal ordering for saving food and reducing waste.

During the reporting period, the measurement of the above emission and discharge were within the stipulated standards. The Group has complied with policies and relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL *(Continued)*

Use of Resources

1. Electricity: Greenhouse gases emission is closely related to the consumption of energy, and the Group recognises that the main source of its energy consumption is electricity. The Group targets and, encourages its tenants to put energy conservation practices in place and support global warming mitigation, such as turning off lights after office hours and using effective energy-saving light bulbs as far as possible. During the reporting period, the Group's electricity consumption consists of commercial electricity provided to investment properties and details of which are set out below. The electricity consumption of the Group during the reporting period was approximately 33,199,000 kWh (2023: 26,076,000 kWh) and the energy consumption intensity was 161.70 kWh/square meter (2023: 127.01 kWh/square meter).

   Henan Electricity Company Zhengzhou Branch provides commercial electricity to the Group's investment properties. The charges of electricity usage in office, public facilities such as landscape area, public access etc. are borne by the Group while tenants of each commercial unit bear their own costs based on independent measurement by meters. The electricity consumption of the Group supplied by Henan Electricity Company Zhengzhou Branch was approximately 33,190,000 kWh (2023: 26,076,000 kWh) during the reporting period.

   The Group responded to the call of the state by actively participating in the Zhengzhou City Power Sales Platform jointly organised by the Zhengzhou City Municipal Government and the National Development and Reform Commission. A power sales agreement was signed by the Group which in turn benefits the Group by reducing electricity costs and saving energy. Furthermore, the Group has cooperated with the implementation of the document issued by the Zhengzhou City Municipal Government, namely, the "Encourage electricity consumption for large-sized businesses and enterprises, and reduce electricity consumption costs"(對大型商業、企業鼓勵用電，降低用電費用).

   The Group still continues to strive to lower the future costs by setting the energy use efficiency target at 32,000,000 kWh (2023: 32,000,000 kWh). The Group strengthens publicity and guidance to increase the awareness of energy saving and consumption reduction to tenants, choose energy-saving equipment and facilities, and turn off all lighting after office hours for reducing ineffective lighting. Furthermore, the Group reasonably arranges the operation of elevators and other equipment based on the opening hours of the shopping malls, adjusts the operation and temperature of air-conditioning based on weather conditions and the temperature inside the shopping malls, as well as the installment of transparent curtains at the entrances and exits to ensure lower energy consumption and appropriate temperature in the shopping malls.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL *(Continued)*

Use of Resources *(Continued)*

2. Natural gas: The real estate developer installed 11 boilers in both shopping malls so as to provide heating to office and public areas during the period from 15 November 2023 to 15 March 2024. These boilers were functioned by natural gas which was supplied by Zhengzhou Vanguard Natural Gas Holdings Co., Ltd. and the heating cost was borne by the Group. The natural gas consumption of the Group was approximately 194,000 cubic meters (2023: 256,000 cubic meters) and the natural gas consumption intensity was 0.94 cubic meters/square meter (2023: 1.25 cubic meters/square meter) during the reporting period.

   During the period from 15 November 2023 to 15 March 2024, the heating was turned on only when the investment properties were opened and the heating was turned off when the investment properties were closed. The flow of natural gas is determined by the weather through adjusting the size of valves. The Group continues to strive to lower the costs by setting the energy use efficiency target at 456,000 cubic meters (2023: 456,000 cubic meters), adjusts the heating time and flow rate according to the weather conditions and the temperature inside the shopping malls, cuts off the heating in time before closing the shopping malls and installs cotton curtains at the entrances and exits to use less energy while ensuring that the temperature inside the shopping malls is appropriate. The Group also welcome public to report any leakage of the windows and doors to prevent any further heat loss in shopping mall. Moreover, a cooperation agreement was signed with Henan Dingcheng Energy Co., Ltd. ("Dingcheng") to associate the gas consumption for heating in the shopping malls with Dingcheng's service income, so as to reduce excessive gas consumption and save costs during the reporting period.

3. Water consumption: Zhengzhou Tap Water Investment Holdings Co., Ltd. provides urban water for commercial use in office and public facilities such as public restrooms. Such water fee is borne by the Group while tenants of each commercial unit bear their own water fee based on independent measurement by meters. The water fee includes the sewage charge paid to the government. The water consumption of the Group was approximately 254,000 cubic meters (2023: 241,000 cubic meters) and the water consumption intensity was approximately 1.24 cubic meters/square meter (2023: 1.17 cubic meters/square meter) during the reporting period.

   The Group did not have any issue in sourcing water that is fit for purpose. For the devotion of hygiene and good service quality, the Group sets the energy use efficiency target at 320,000 cubic meters (2023: 320,000 cubic meters) and continues to strive to lower water consumption through the policies below. The Jiachao's Shopping Mall installed faucets in partial bathrooms that could achieve water saving. In long term, the Group will install all water efficiency equipment in all restrooms. The Group also collect rain drop as grey water for the gardening to achieve water saving. Secondly, the Group increased the posting of "Water Conservation" signage in the shopping malls and the service counters broadcast water conservation promotion from time to time in order to improve the awareness of water conservation for customers and tenants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL *(Continued)*

Use of Resources *(Continued)*

4. The Use of Resources (Electricity and Water consumption) is increased during the year ended 30 June 2024 because of periodical mandatory closure of the two shopping malls as a consequence of the COVID-19 epidemic regulatory policies for the year ended 30 June 2023. In the short term, the Use of Resources (Natural gas and Water consumption) in the Group should be maintained at the same level and the Use of Resources (Electricity) is planned to lower its consumption through a series of stringent measures stated above. Furthermore, the Group makes a good policy or operation strategy for reducing the Use of Resources. It ensures to provide green and clean environment for customers and tenants in both shopping malls.

5. The Group noticed that the new energy vehicle become more popular in the future. It also had some of the government policy to promote the using new energy vehicle. The banned of selling petroleum car may happen in the future. As two shopping malls install new energy vehicle charging piles in parking lots, the customers may use the charging piles to charge the new energy vehicle. The Group believes that the use of the electricity may remain the same or increase in the future.

The Environment and Natural Resources

The Group strictly abides by the requirements of the relevant environmental protection laws and regulations, departmental regulations and local regulations during the implementation of large-scale marketing and promotional activities. Equipment used in these activities is all made by environmentally-friendly materials and there is no pollution such as waste smoke, waste water, waste garbage and noise. No pollution accidents and no illegal activities such as violation of pollution discharge regulations or environmental pollution have occurred.

Marketing and promotional activities

1. In the large-scale marketing and promotional activities, only environmentally-friendly materials and equipment are used while dangerous goods such as fireworks and firecrackers that generate waste smoke and waste gas are restricted to be used.

2. Audio and lighting are strictly followed the relevant requirements of national policies. There are qualified personnel to control and monitor the volume decibels at all times. Lighting is also controlled and prohibited from shining in residential areas. After nine o'clock in the evening, the audio and lighting must be turned off to avoid light pollution and noise pollution.

3. After completion of these activities, activity materials and domestic garbage are disposed of properly to reduce environmental pollution.

4. Materials used for support and fixing of stage construction are recyclable and environmentally-friendly. Most materials are aluminum or steel, which are also easy to recycle.

5. The Group uses utility model patents at design and production, of which, the environmentally-friendly exhibition construction system adopts advanced process structure and patented advertising board basic materials. This can eliminate the use of glue, paint, medium density fiberboard and other traditional materials in the entire exhibition booth construction process. Consequently, the process is close to zero pollution and the materials can be recycled.

6. The Group advocates a paperless and environmentally-friendly office by sending documents electronically, using draft paper rationally and when printing documents for internal use, try to minimise the headers, footers, line spacing, word spacing and font size of the file contents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL *(Continued)*

The Environment and Natural Resources *(Continued)*

Ecological environment

The Group has arranged green area of 2,550 square meters (2023: 2,550 square meters) so as to improve the ecological environment. During the reporting period, the Group not only kept preserving the original green area, it also increased some potted plants, and maintained and pruned them regularly.

Climate

During the reporting period, the Group has not been affected by extreme climate. Major issues related to climate, such as heavy rains, earthquakes, hail, flooding, landslide etc. may affect the Group in the future. The Board noticed that the climate change and managing its associated risk and opportunities may impact the sustainability and success of the business. The Board classified two kinds of risks related to climate change: physical risk and transitional risk.

Physical risk:

The increase intensity of extreme climate may cause different damage to the shopping malls (such as broken windows, damage glass doors and flooding in the shopping malls), the result may disruptions to business operations and loss of revenue. In addition, the tenants may not renew the leasing contract as operation impact.

The climate change also causes heat wave and extreme cold weather. The shopping malls need to increase using higher level of energy to maintain a comfortable room temperature to the customers. Therefore, it may increase the operational cost, increase use of electricity, and increase greenhouse gas emission.

Transition risk:

There are more Government policies related to the emission regulation and use of resources in future (such as using more energy efficient equipment and reduce air pollution emission). It may increase operating costs, shifting customer preference for environmental-friendly building may cause pressure and costs.

Responses to mitigate the risk

The handling process of the shopping malls' property department for extreme weather is (1) increase the number of left-behind personnel on duty for 24 hours to ensure that the sewage pump on site can be used normally; (2) set up water barriers and flood control sandbags at the ramp entrance to prevent the parking lot from being flooded; (3) check the roof drainage system regularly to ensure smooth flow; and (4) always pay attention to weather reports released by official departments.

The Group also adopts latest government policies and regulations as soon as possible. The Group also promoted to the tenants about using energy efficient equipment, and the tenants should comply with latest government policies and regulations in tenancy agreement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Employment

The Group complies with and implements the relevant laws and regulations of the PRC including, the Labour Law of the People's Republic of China《中華人民共和國勞動法》(the "Labour Law"), "Recruitment Management Approach"（招聘管理辦法）, "Pay Management Approach"（薪酬管理辦法）, "Attendance Management Approach"（考勤管理辦法）and "Promotion Management Approach"（晉升管理辦法）in respect of recruitment, employment, working hours and resignation without any violation of the Labour Law up-to-date. The Group sets grassroots positions with equal pay and provides employees from top level to bottom level with standard welfare. The Group establishes a fair and impartial promotion mechanism to ensure there is no discrimination or bias on age, sex, geographical etc. at the time of employment. Moreover, the employment laws and regulations, including the Employment Ordinance《僱員條例》(Chapter 57 of the Laws of Hong Kong) and the Mandatory Provident Fund Schemes Ordinance《強制性公積金計劃條例》(Chapter 485 of the Laws of Hong Kong) are applied to the employees in Hong Kong. During the reporting period, the Group has complied with policies and relevant laws and regulations regarding remuneration, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and termination of employment.

During the reporting period, the Group had 132 employees who were all full-time contract staff. Among them, 83 were male employees and 49 were female employees, with an average age of 39 years old. 30% of the employees were above 45 years old and 49% of the employees were from Zhengzhou. The employee turnover rate of the current year was 15%, including 14 male employees and 6 female employees, with an average age of 33 years old. 15% of the employees who had left were above 45 years old and 33% of the employees who had left were from Zhengzhou.

Health and Safety

The Group has strictly complied with the relevant laws and regulations of the PRC and Hong Kong including the "Employer's Occupational Disease Hazard Prevention and Control Regulations"《用人單位職業病危害防治八條規定》, pursuant to which it is necessary to carry out health check, archive personal details for engineering and technical posts and arrange insurance for the employees. The Group provides qualified protective equipment during work process and erects warning notices during the construction process in order to ensure the safety of employees. Moreover, the laws and regulations, including the Employees' Compensation Ordinance《僱員補償條例》(Chapter 282 of the Laws of Hong Kong) and the Occupation Safety and Health Ordinance《職業安全及健康條例》(Chapter 509 of the Laws of Hong Kong) are strictly adhered to by the Group in Hong Kong. The Group also adopts safety first culture widely in different level of employees. The employee has notice safety also priority in working. In addition, the Group also provides health and safety training to the employees. During the reporting period, the Group has complied with policies and relevant laws and regulations regarding safe working environment and prevention of occupation hazard workplace. The Group neither reported work-related accidents and injuries from employees nor recorded any lost days due to work injury during the reporting period. In the past three years (including the reporting period), the number and incidence of work-related deaths per year is zero.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL *(Continued)*

Development and Training

In order to cultivate internal staff, according to the relevant provisions of the Group's "Internal Training and Training Points Management System", the Group adopts the combination of internal training and external training. There are two types of internal training, namely training hosted by internal lecturers and external lecturers. Theme topics and contents of these trainings are tailor-made for staff at mid-to-high-level and elementary level. Since 2017, a training card system has been set up for each employee who should accumulate at least 12 points in one year to fulfill one of the appraisal criteria. External training is divided into two categories: the first category is to organise activities every year to improve staff cohesion, such as hiking, mountain climbing, and other outdoor team building activities; the second category is the technical/professional training. The Group provides full support to the employees of the property and engineering departments in studying certificates necessary for their posts, such as fire protection and electric power certificates. The Group also bears training costs and grants time for employees to attend external training so as to improve their professional skills.

During the reporting period, the Group's annual training program courses include business skills training, management ability training and legal affairs training etc. 15 training sessions were organised and 208 person-times participated in the training throughout the current year. Among them, 115 person-times were male employees and 93 person-times were female employees. The ratio of male to female training participants was 1.2:1. According to the management level, 42 person-times participated in the training for middle management level and above (including supervisors), and 166 person-times participated in the training for basic-level employees (including front-line security guards). The average training time for employees was 2 hours, of which, male employees received an average of 1.8 hours of training and female employees received an average of 1.3 hours of training. Middle management level and above received an average of 2.9 hours of training and an average of 1.5 hours for basic-level employees.

Labour Standards

The Group abides by the standard requirements of the Labour Law in full in the recruitment of employees in the PRC or Employment Ordinance《僱傭條例》(Chapter 57 of the Laws of Hong Kong) in full in the recruitment of employees in Hong Kong in the screening of resume and interview. Structured interview method and written examination are used for interview process. The Group further confirms the authenticity of employee candidate's information, including age, through background checks. The Group prohibits the employment of any child labour or forced labour, and there is no child labour or forced labour noted in the Group. During the reporting period, the Group has complied with policies and relevant laws and regulations regarding prohibition of child labour and forced labour.

Supply Chain Management

According to the "Seven Principles of Supply Chain Management", the Group, based on the required service characteristics, divides the suppliers into different categories, namely procurement suppliers, constructors and external security and cleaning suppliers. The Group selects suppliers and constructors through a unified form of bidding for screening and clearly sets out the standard specifications. The Group also evaluates the ESG performance of the procurement suppliers, constructors and external security and cleaning suppliers on regular basis. The Group will not engage or terminate any supplier, service provider or business partner with adverse reputation on environmental or social issue. A number of departments unify calibration in accordance with the tender requirements. In the process of cooperation, the Group's several departments set up a number of links for control and audit and establish information systems of supply chain so as to achieve win-win cooperation. At the end of the year, all suppliers and constructors will be surveyed to review their quality of service. For external security and cleaning suppliers, the Group develops an assessment system for assessment and supervision. The assessment system is linked with wage and the implementation of reward and punishment system, thereby to enhance the quality of field service.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL *(Continued)*

Supply Chain Management *(Continued)*

During the reporting period, the Group sourced from more than 160 suppliers all located in the PRC and generally distributed in Henan, Fujian, Jiangsu and other cities. Some professional design categories are mainly based on suppliers with experience in typical case services in first-tier cities. The number of supplier with long-term cooperation relationship in the construction engineering department, engineering consumables, elevator maintenance, air conditioning maintenance, high voltage testing, electricity sales, planning and printing promotional materials, advertising event planning, fire protection, security, cleaning, stone maintenance, garbage removal, disinfection service, environmental testing and information were ranged from 3 to 11.

All suppliers cooperating with the Group are required to provide business licenses, professional qualification certificates, account opening permits, and other company cooperation cases related to the industry of the Group (all are needed to conduct industry and commerce, banks and industry surveys to verify facts). For the goods provided by the suppliers, the Group has a three-party acceptance process, and strictly inspects the brand, trademark, anti-counterfeiting and environmental protection signs of the goods before entering the warehouse, and all non-conforming goods are returned. During the construction process, construction units are required to take a series of measures such as dust prevention and noise reduction; for professional environmental renovation construction units, they are required to provide safety production permits and professional qualifications for environmental protection projects before they can carry out construction operations.

Product Responsibility

According to the provisions of the “Product Liability Insurance”, products sold by tenants must be genuine and no fake and shoddy products shall be put up for sale. Catering business should obtain the business license and “Food Safety Permit” and employees should hold health certificate for their posts. The Group, as the operator of investment properties, is required to have public liability insurance. In the ordinary operation, the shopping malls have a few customer service desks which are designed to deal with customers’ complaints and any difficult problems. In order to protect the legitimate and safe operation of tenants, the Group also provides them with advertising and fire safety knowledge training regularly. Apart from providing the above services to tenants, the Group conducts a comprehensive supervision and management on them in the usual business operations. The Group’s mission is to provide a safe and effective place for business operations of tenants and also to provide customers with a safe, comfortable and healthy shopping environment. During the reporting period, the Group has complied with policies and relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters in relation to products and services provided and methods of redress. Once received a complaint, the Group treats every complaint equally and address the issue of the problem. During the reporting period, the Group did not receive any complaints from the tenants about its services.

The Group checks tenants’ relevant business licenses, authorisation letters and other relevant qualification certificates before their operations in the shopping malls. The lease contracts signed with tenants have relevant stipulations in respect of quality maintenance during the rental period and appropriate amounts of quality deposits are collected from tenants. The product recall is mainly carried out by tenants according to their own procedures. The Group is responsible for supervision and control by publishing the recalled product information on its common publicity channels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL *(Continued)*

Product Responsibility *(Continued)*

During the reporting period, no products have been recalled for safety and health reasons. In the initial stage of shop or kiosk rental, potential cooperative brands need to provide the Group with relevant qualification certificates such as brand business license, trademark registration certificate, authorisation letter, identity card and product quality inspection certificate. The Group signs a lease contract with the tenant, of which, it clearly stipulates that the Group is responsible for keeping confidential the sales data and other commercial secrets obtained from the lease contract. The Group strictly abides by the terms of the contract. In its daily work, the merchant accounts and sales data are managed uniformly by the relevant departments.

Anti-corruption

In order to prevent employees, suppliers and tenants from bribery behavior, the Group adopted some measures in this regard. First of all, the Group signs "Honest Agreement" with employees and tenants. Secondly, the Group sets up compliant hotline and if any of the employees is found to be engaging in bribery, the Group would strictly follow the "Reward and Punishment Management System" and impose penalty to the involved employees accordingly. Besides, the Criminal Law of the People's Republic of China《中華人民共和國刑法》, the Anti-Money Laundering Law of the People's Republic of China《中華人民共和國反洗錢法》, the Prevention of Bribery Ordinance《防止賄賂條例》(Chapter 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance《打擊洗錢及恐怖分子資金籌集條例》(Chapter 615 of the Laws of Hong Kong) is strictly adhered to by the Group in the PRC and Hong Kong. During the reporting period, the Group did not have any corruption lawsuit cases. Directors and employees are informed of related matters in detail and relevant training is provided from time to time.

Community Investment

The shopping malls not only improve the facilities for the residents living nearby, but also provide a very convenient shopping environment for a vast number of consumers in different kinds, as well as to create over 7,000 job opportunities. There is an affirmative contribution to the community, especially in children's entertainment, education and culture aspects, which is expected to be more prosperous in next few decades. The operation of the shopping malls definitely stimulates the consumption level of the western part of Zhengzhou City. The Group encourages employees to take part in community services, including various culture events, community volunteering, employee outings, and supporting charitable organisations. During the reporting period, the Group provides different children activities in children day and study rooms to public, students can have a better environment to study. In addition, the Group organised different activities between the community and the employees. The Group believes that different activities can build a better and harmonious relationship to each other. The Group hopes to foster employees' sense of social responsibility, thus encouraging them to actively participate in social activities for public good to make greater contributions to the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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INDEPENDENT AUDITOR'S REPORT

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited
Certified Public Accountants

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TO THE MEMBERS OF ART GROUP HOLDINGS LIMITED
錦藝集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Art Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 134, which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss and other comprehensive income, 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The accompanying consolidated financial statements for the year ended 30 June 2024 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 3 to the consolidated financial statements which indicates that (i) the Group incurred a net loss attributable to owners of the Company of approximately HK$270,792,000 for the year ended 30 June 2024; (ii) as of that date, the Group had net liabilities of approximately HK$7,938,000 and net current liabilities of approximately HK$51,194,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in note 3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 17 to the consolidated financial statements. We identified the valuation of the Group's investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant judgments involved in determining the inputs used in the valuation. Management estimated the fair value of the Group's investment properties at approximately HK$568,817,000 (2023: HK$995,699,000) as at 30 June 2024. The amount represented 80% (2023: 81%) of the Group's total assets. Fair value loss of approximately HK$260,870,000 (2023: HK$720,225,000) on investment properties was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024. The investment properties are stated at fair value based on valuation performed by an independent professional valuer (the "Valuer") engaged by the Group. The fair value of the Group's investment properties were determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgments.	Our major procedures in relation to the management's valuation of investment properties: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining and reviewing the valuation reports prepared by the Valuer; • Discussing the valuation with management and the Valuer and challenging the key estimates adopted and inputs and data used in the valuations; • Assessing the valuation methodologies used and considering the appropriateness of the key assumptions and parameters based on our knowledge of the PRC property industry; and • Checking the accuracy and relevance of the key inputs used in the valuations, including the monthly unit rent and yield.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit loss ("ECL") on trade and other receivables, loan receivables and rental deposits	
Refer to note 18, note 19 and note 20 to the consolidated financial statements. We identified the allowance for ECL on the Group's trade and other receivables, loan receivables and rental deposits as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the recoverability of trade and other receivables, loan receivables and rental deposits. The Group had trade and other receivables, loan receivables and rental deposits of approximately HK$29,793,000, HK$18,327,000 and HK$47,045,000 respectively (2023: HK$30,538,000, HK$Nil and HK$157,481,000), including allowance for ECL of approximately HK$4,533,000, HK$185,951,000 and HK$107,166,000 respectively (2023: HK$2,129,000, HK$222,859,000 and HK$18,419,000). In determining the impairment for trade and other receivables, loan receivables and rental deposits, the management performed periodic assessments on the recoverability of the trade and other receivables, loan receivables and rental deposits and the sufficiency of allowance for ECL based on information including credit profile of different debtors, aging of the trade and other receivables, loan receivables and rental deposits, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing business relationships with the relevant debtors.	Our procedures in relation to the estimated allowance for ECL on trade and other receivables, loan receivables and rental deposits included: • obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and estimation of ECL; • checking, on a sample basis, the age profile of the trade and other receivables, loan receivables and rental deposits as at 30 June 2024 to the underlying financial records and post year end settlements to bank receipts; • inquiring of management for the status of each of the material trade and other receivables, loan receivables and rental deposits past due as at year end and corroborating explanations from management with supporting evidence, such as understanding ongoing business relationship with the debtors based on trade records, checking historical and subsequent settlement records of and other correspondence with the debtors; • evaluating, assessing and challenging the appropriateness of the ECL provisioning methodology of trade and other receivables, loan receivables and rental deposits and evaluating the reasonableness of management's assumptions, including both historical and forward–looking information, used to determine the ECL;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*

Management also considered forward-looking information that may impact the debtors' ability to repay the outstanding balances in order to estimate the ECL for the impairment assessment under ECL model.

How our audit addressed the key audit matter *(Continued)*

- checking the mathematical calculation and basis of allowance for ECL recognised under the ECL model;

- assessing the external valuers' qualifications, experience and expertise in the allowance for ECL being valued and considering their objectivity;

- with the assistance of external valuation experts, in accordance with current accounting standards, an assessment is conducted on the method used in preparing the discounted cash flow based on a sample of management's forecasts. This is done by comparing with other companies in the same industry and external market data to evaluate the reasonableness of the discount rate used in the discounted cash flow forecasts;

- obtaining and inspecting the valuation report of the allowance for ECL on trade and other receivables, loan receivables and rental deposits prepared by the external valuers, on which the management's assessment of the ECL on trade and other receivables, loan receivables and rental deposits was based and reviewing the reasonableness of key assumptions adopted in these valuations, including market prices; and

- assessing the disclosures in the consolidated financial statements in respect of the allowance for ECL on trade and other receivables, loan receivables and rental deposits with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2023, were audited by another auditor who expressed an unmodified opinion on these statements on 28 September 2023.

Confucius International CPA Limited
Certified Public Accountants

Chan Lap Chi
Practicing Certificate Number: P04084

Hong Kong, 17 October 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	NOTES	2024 HK$'000	2023 HK$'000
Revenue	7	**111,160**	143,233
Cost of sales		**(39,503)**	(37,521)
Gross profit		**71,657**	105,712
Other income and other gain and loss	8	**13,253**	28,476
Administrative expenses		**(24,742)**	(21,766)
Reversal of allowance for expected credit loss/ (allowance for expected credit loss) on loan receivables		**37,310**	(184,361)
Allowance for expected credit loss on rental deposits		**(89,712)**	(19,247)
Allowance for expected credit loss on trade and other receivables		**(2,430)**	(2,225)
Loss on fair value changes of investment properties	17	**(260,870)**	(720,225)
Gain on lease modification		**41,698**	–
Finance costs	9	**(39,485)**	(43,761)
Loss before taxation		**(253,321)**	(857,397)
Income tax (expenses)/credit	10	**(17,471)**	173,949
Loss for the year attributable to owners of the Company		**(270,792)**	(683,448)
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation from functional currency to presentation currency		**(2,899)**	(60,534)
Other comprehensive expense for the year		**(2,899)**	(60,534)
Total comprehensive expense for the year attributable to owners of the Company		**(273,691)**	(743,982)
LOSS PER SHARE	14		
Basic *(HK cents)*		**(10.07)**	(25.42)
Diluted *(HK cents)*		**(10.07)**	(25.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	NOTES	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,301**	3,467
Right-of-use assets	16	**3,592**	3,809
Investment properties	17	**568,817**	995,699
Rental deposits	18	**47,045**	157,481
Deferred tax assets	27	**–**	8,996
		622,755	1,169,452
CURRENT ASSETS			
Trade and other receivables	19	**29,793**	30,538
Loan receivables	20	**18,327**	–
Bank balances and cash	21	**40,239**	33,152
		88,359	63,690
CURRENT LIABILITIES			
Other payables	22	**57,932**	47,365
Contract liabilities	23	**11,301**	11,017
Lease liabilities	24	**66,138**	120,545
Amount due to a substantial shareholder	25	**4,164**	192
Tax liabilities		**18**	1,572
		139,553	180,691
NET CURRENT LIABILITIES		**(51,194)**	(117,001)
TOTAL ASSETS LESS CURRENT LIABILITIES		**571,561**	1,052,451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	NOTES	2024 HK$'000	2023 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**26,888**	26,888
Reserves		**(34,826)**	241,554
TOTAL (DEFICIT)/EQUITY		**(7,938)**	268,442
NON-CURRENT LIABILITIES			
Lease liabilities	24	**564,856**	773,081
Deferred tax liabilities	27	**4,638**	925
Bonds	26	**10,005**	10,003
		579,499	784,009
		571,561	1,052,451

The consolidated financial statements on pages 61 to 134 were approved and authorised for issue by the board of directors on 17 October 2024 and are signed on its behalf by:

Chen Jinyan	**Yao Linying**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

	Attributable to owners of the Company							
	Share capital HK$'000	**Share Premium** HK$'000 *(Note a)*	**Merger reserve** HK$'000	**Exchange reserve** HK$'000 *(Note b)*	**Share option reserve** HK$'000 *(Note c)*	**Statutory reserve** HK$'000 *(Note d)*	**Retained profits** HK$'000	**Total** HK$'000
As at 1 July 2022	26,888	48,746	136	(30,072)	5,557	1,232	959,937	1,012,424
Loss for the year	–	–	–	–	–	–	(683,448)	(683,448)
Other comprehensive expense for the year – Exchange difference on translation from functional currency to presentation currency	–	–	–	(60,534)	–	–	–	(60,534)
Total comprehensive expense for the year	–	–	–	(60,534)	–	–	(683,448)	(743,982)
Forfeiture of shares options under employee share option scheme	–	–	–	–	(155)	–	155	–
As at 30 June 2023 and 1 July 2023	26,888	48,746	136	(90,606)	5,402	1,232	276,644	268,442
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(270,792)**	**(270,792)**
Other comprehensive expense for the year – Exchange difference on translation from functional currency to presentation currency	**–**	**–**	**–**	**(2,899)**	**–**	**–**	**–**	**(2,899)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(2,899)**	**–**	**–**	**(270,792)**	**(273,691)**
Special dividend *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**(2,689)**	**(2,689)**
As at 30 June 2024	**26,888**	**48,746**	**136**	**(93,505)**	**5,402**	**1,232**	**3,163**	**(7,938)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

NATURE AND PURPOSE OF RESERVES

(a) Share premium

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

(b) Exchange reserve

Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) that are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

(c) Share option reserve

Share option reserve comprises the fair value of share options granted which are yet to be exercised, the amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits when the related options expire, or be forfeited.

(d) Statutory reserve

Statutory reserve represents general reserve and enterprise expansion fund which are set up by subsidiaries established and operated in the People's Republic of China (the "PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of Directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	NOTES	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(253,321)**	(857,397)
Adjustments for:			
Loss on fair value changes of investment properties	*17*	**260,870**	720,225
Depreciation of property, plant and equipment	*15*	**239**	196
Depreciation of right-of-use assets	*16*	**594**	1,183
(Reversal of allowance for expected credit loss)/ allowance for expected credit loss on loan receivables	*20*	**(37,310)**	184,361
Allowance for expected credit loss on rental deposits	*6*	**89,712**	19,247
Allowance for expected credit loss on trade receivables	*6*	**2,430**	2,225
Gain on lease modification		**(41,698)**	–
Finance costs	*9*	**39,485**	43,761
Interest income		**(2,618)**	(19,591)
Operating cash flows before movements in working capital		**58,383**	94,210
Increase in trade and other receivables		**(1,664)**	(42,648)
(Decrease)/increase in other payables		**(54)**	14,464
Increase in contract liabilities		**283**	2,075
Cash generated from operations		**56,948**	68,101
Income tax paid		**(6,194)**	(7,293)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**50,754**	60,808
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	*15*	**(70)**	(203)
Interest received		**127**	57
Addition of loan receivables	*20*	**(18,000)**	–
Repayment of loan receivables	*20*	**37,310**	33,708
NET CASH GENERATED FROM INVESTING ACTIVITIES		**19,367**	33,562

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	NOTES	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from a substantial shareholder	31	**4,164**	9,058
Repayment to a substantial shareholder	31	**(194)**	(55,548)
Proceeds from secured bank borrowing		**–**	6,404
Repayments of secured bank borrowing		**–**	(6,423)
Repayments of lease liabilities	31	**(57,384)**	(16,913)
Repayment of bonds	26	**(800)**	(17,047)
Special dividend paid	13	**(2,689)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(56,903)**	(80,469)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**13,218**	13,901
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**33,152**	21,526
Effect of foreign exchange rate changes		**(6,131)**	(2,275)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**40,239**	33,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

1. GENERAL

Art Group Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Fully Chain Limited, a private company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Chen Jinyan, who is also the director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Group is Renminbi ("RMB"). The consolidated financial statements are presented in HK$ for the convenience of the shareholders because the Company's shares are listed in the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of the Company's subsidiaries (collectively referred to as the "Group") are set out in note 33.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 July 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except for disclosed below, the applications of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

New and amendments to HKFRSs in issue but not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the respective dates they become effective.

HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[4]
HKFRSs Amendments	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2024, earlier application is permitted.
2 Effective for annual periods beginning on or after 1 January 2025, earlier application is permitted.
3 Effective for annual periods beginning on or after 1 January 2026, earlier application is permitted.
4 Effective for annual periods beginning on or after 1 January 2027, earlier application is permitted.
5 No mandatory effective date yet determined but available for adoption.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date").

Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Company has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The directors of the Company anticipate that the abolition of the offsetting mechanism did not have a material impact on the Company's profit or loss for the year ended 30 June 2024 and 30 June 2023 and the Company's financial position as at 30 June 2024 and 30 June 2023.

In light of the immaterial impact, the Company did not apply the change in its accounting policy retrospectively.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

Going concern

The directors of the Company have given careful consideration to the going concern status of the Group in light of the fact that (i) the Group incurred a net loss attributable to the owners of the Company of approximately HK$270,792,000 for the year ended 30 June 2024; (ii) as of that date, the Group had net liabilities of approximately HK$7,938,000 and net current liabilities of approximately HK$51,194,000. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Going concern *(Continued)*

In order to improve the liquidity of the Group and ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures as follows:

As at 30 June 2024, the Group has contract liabilities and receipts in advance in aggregated amount of HK$23,329,000, which shall not result in any cash outflow of the Group eventually. Additionally, the Group also has deposits received from tenants of approximately HK$25,843,000. The directors of the Company are confident that this level of deposits can be sustained in the short term, based on the existing lease agreements with tenants. The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs. The directors of the Company believe that the Group has sufficient operating inflow to cover operating outflow, which included lease payments for two shopping malls, namely the Jiachao's Shopping Mall and the Zone C Shopping Mall, and an office premise in Hong Kong in the next 12 months from the date of this report.

Moreover, the substantial shareholders of the Company have undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without significant curtailment of operations for the twelve months from the date of approval of these consolidated financial statements.

The directors of the Company have reviewed the cash flow projections of the Group prepared by the management covering a period of not less than 12 months from the date of this report taking into account the impact of the above measures. The directors of the Company are confident that the Group has sufficient cash resources to be able to satisfy its future working capital and meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values at the end of each reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Revenue from contracts with customers *(Continued)*

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 *Revenue from Contracts with Customers* are set out in note 7.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under an operating lease.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both of leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Impairment on property, plant and equipment and right-of-use assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Lease

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or an operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group as lessee

Allocation of consideration to components of a contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Lease *(Continued)*

The Group as lessee *(Continued)*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Refundable rental deposits

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets (other than those that are classified as investment properties) as a separate line item on the consolidated statement of financial position.

Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Lease *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of remeasurement. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determinable, or the incremental borrowing rate at the date of remeasurement, if the interest rate implicit in the lease cannot be readily determinable.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Lease *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive (expense)/income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive (expense)/income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Retirement benefit costs and termination benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employee's relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The employees employed by the Group's subsidiaries in the People's Republic of China ("PRC") are members of state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme operated by the government of the PRC is to make the specified contributions under the schemes.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Taxation *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale (or transfer of lease, if the investment properties are leased properties which are being recognised as right-of-use assets and subleased by the Group under an operating lease), unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition and over the lease terms of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at the initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Amortised cost and interest income

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually for all debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

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

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

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition/modification of financial assets (Continued)

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

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

Financial liabilities at amortised cost

Financial liabilities (including other payables, amount due to a substantial shareholder, secured bank borrowings and bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily obtainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgments in applying accounting policies

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

Measurement of ECL

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Selecting appropriate models and assumptions for the measurement of ECL; and

– Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 3. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit-impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgments involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgment is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 6 for more details on ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

Impairment assessment under ECL model for rental deposits and loan receivables

The Group performs impairment assessment under ECL model for rental deposits and loan receivables individually. The individually evaluation is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered.

The allowance for ECL is sensitive to changes in estimates. The information about the allowance for ECL on rental deposits and loan receivables is disclosed in note 6.

Impairment assessment under ECL model for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates 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.

The allowance for ECL is sensitive to changes in estimates. The information about the allowance for ECL on trade receivables is disclosed in note 6.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period, using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest, the direct capitalisation method by assuming a stabilised economic income capitalised by a market yield rate and the direct comparison approach with reference to the sales transactions of the comparable properties by independent professional qualified valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the valuation techniques and assumptions have been disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce debt.

The capital structure of the Group consists of debt, which includes, lease liabilities disclosed in note 24, bonds disclosed in note 26, bank balances and cash disclosed in note 21, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the capital. The Group will balance its overall capital structure through the payments of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

In addition to capital risk management, there is a concentration risk on location of net assets owned by the Group. The Group's assets are principally situated in the PRC and accordingly, they are subject to a concentration of assets realisation risk in the local municipalities and provinces, where they are located. The Group's ability to realise the majority of its assets is related to the economic conditions in the PRC as a whole and the local areas in which it operates. The management manages this exposure by maintaining a portfolio of assets in different locations with different risk profiles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
At amortised cost:		
Rental deposits	**47,045**	157,481
Loan receivables	**18,327**	–
Trade and other receivables	**28,567**	29,474
Bank balances and cash	**40,239**	33,152
	134,178	220,107

	2024 HK$'000	2023 HK$'000
Financial liabilities		
At amortised cost:		
Other payables	**45,904**	32,323
Lease liabilities	**630,994**	893,626
Amount due to a substantial shareholder	**4,164**	192
Bonds	**10,005**	10,003
	691,067	936,144

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, rental deposits, loan receivables, bank balances and cash, other payables, amount due to a substantial shareholder and bonds. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall policies remain unchanged from prior years.

Market risk

(i) Currency risk

Certain bank balances and bonds are denominated in HK$ which is a currency other than functional currency of the relevant group entities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The group entities are mainly exposed to the fluctuation of HK$ against RMB.

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% (2023: 5%) change in foreign currency rates.

The sensitivity analysis includes HK$ denominated bank balances and bonds, as appropriate. A positive or negative number below indicates an increase or a decrease in post-tax loss where RMB strengthen 5% (2023: 5%) against the relevant currency. For a 5% (2023: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	HK$ Impact *(Note)*	
	2024	2023
	HK$'000	HK$'000
Profit or loss	**(440)**	(448)

Note: This is mainly attributable to the exposure outstanding on HK$ bank balances and bonds not subject to cash flow hedge at the end of the reporting period of the Group.

(ii) Interest rate risk

The Group is also exposed to fair value interest rate risk in relation to loan receivables, bank balances and bonds, as set out in notes 20, 21 and 26, respectively.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group is also exposed to cash flow interest rate risk in relation to bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk. The directors considered that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances is considered minimal. Accordingly, no sensitivity analysis is prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to rental deposits, trade and other receivables, loan receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables are mitigated because they are secured and guaranteed as set out in note 20 and the credit risks associated with trade receivables is mitigated because the Group holds rental deposits from tenants as set out in note 22. The Group's concentration of credit risk by geographical location is mainly in the PRC.

Maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Rental deposits

The management estimates the estimated loss rates of rental deposits based on historical observed default rates over the expected life of the landlords and are adjusted for forward-looking information. The management performed impairment under ECL model on rental deposits, an allowance for ECL on rental deposits of HK$89,712,000 (2023: HK$19,247,000) was recognised into profit or loss during the year ended 30 June 2024. The Group has concentration of credit risk of rental deposits as 100% (2023: 100%) of rental deposits was due from two landlords, which are located in the PRC.

Trade receivables

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 30 June 2024 and 2023, the directors of the Company consider that the concentration of credit risk is limited due to the customer base being large and unrelated.

Other receivables

The Group has applied the general approach in HKFRS 9 to measure the allowance for ECL at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk since initial recognition. The credit quality of other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Loan receivables

The management estimates the estimated loss rates of loan receivables based on historical observed default rates over the expected life of the borrower and the fair value of the collateral and are adjusted for forward-looking information. The management performed impairment under ECL model on loan receivables. Reversal of allowance for ECL on loan receivables amounting to HK$37,310,000 (2023: allowance for ECL on loan receivables amounting to HK$184,361,000) was recognised into profit or loss during the year ended 30 June 2024. The Group has concentration of credit risk of loan receivables as 100% (2023: 100%) of loan receivables was due from only two (2023: one) debtors.

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

2024	*Notes*	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amounts HK$'000**
Financial assets at amortised cost					
Trade receivables *(Note 1)*	*19*	**N/A**	**Low risk**	**Lifetime ECL (not credit-impaired)**	**16,802**
Other receivables *(Note 2)*	*19*	**N/A**	**Low risk**	**12m ECL**	**16,298**
Bank balances *(Note 3)*	*21*	**Aa3 or above**	**Low risk**	**12m ECL**	**40,239**
Loan receivables *(Note 4)*	*20*	**N/A**	**Low risk**	**12m ECL**	**18,327**
		N/A	**Loss**	**Lifetime ECL (credit-impaired)**	**185,951**
Rental deposits *(Note 5)*	*18*	**N/A**	**Doubtful**	**Lifetime ECL (not credit-impaired)**	**47,049**
		N/A	**Loss**	**Lifetime ECL (credit-impaired)**	**107,162**

2023	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts HK$'000
Financial assets at amortised cost					
Trade receivables *(Note 1)*	*19*	N/A	Low risk	Lifetime ECL (not credit-impaired)	15,290
Other receivables *(Note 2)*	*19*	N/A	Low risk	12m ECL	16,313
Bank balances *(Note 3)*	*21*	Aa3 or above	Low risk	12m ECL	33,152
Loan receivables *(Note 4)*	*20*	N/A	Loss	Lifetime ECL (credit-impaired)	222,859
Rental deposits *(Note 5)*	*18*	N/A	Doubtful	Lifetime ECL (not credit-impaired)	175,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes:

(1) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for ECL at lifetime ECL.

As part of the Group's credit risk management, the Group uses debtors' ageing and corresponding rental deposit to assess the allowance for ECL on trade receivables from customers in relation to its business of property operating because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade receivables with carrying amounts of HK$16,802,000 (2023: HK$15,290,000) are assessed individually within lifetime ECL (not credit-impaired).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. During the year ended 30 June 2024, the Group reversed HK$3,000 (2023: provided HK$10,000) and provided HK$2,433,000 (2023: provided HK$2,215,000) allowance for ECL on trade receivables based on a collective basis and individual assessment respectively.

The movement in the allowance for ECL on trade receivables is as follows:

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 July 2022	–
Allowance for ECL recognised for the year	2,225
Exchange realignment	(96)
As at 30 June 2023 and 1 July 2023	2,129
Allowance for ECL recognised for the year	2,430
Exchange realignment	(26)
As at 30 June 2024	4,533

(2) Included in other receivables are amounts representing refundable utility. The Group assessed the allowance for ECL on these other receivables on 12m ECL basis. In determining the allowance for ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

(3) The credit risk on bank balances are limited because the counterparties are with high credit ratings assigned by international credit rating agencies. Majority of bank balances are deposited in reputable large commercial banks with credit rating of Aa3 or above (2023: Aa3 or above) issued by Moody's.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

(4) For loan receivables, the Group has applied the general approach in HKFRS 9 to measure the allowance for ECL at lifetime ECL. The Group determines the allowance for ECL on loan receivables by individual assessment.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the borrower and the fair value of the collateral and are adjusted for forward-looking information that is available without undue cost or effort. During the year ended 30 June 2024, the Group reversed HK$37,310,000 (2023: provided HK$184,361,000) allowance for ECL on loan receivables on the individual assessment.

(5) Allowance for ECL on rental deposits amounted to approximately HK$89,712,000 (2023: HK$19,247,000) for the year ended 30 June 2024. The allowance for ECL was estimated based on the ECL assessment prepared by an independent valuer engaged by the Group.

Due to the seizure and title transfer of certain areas of the Jiachao's Shopping Mall by a number of banks and financial institutions as a result of the exercise of their rights under the pledges of the shopping mall created by its owner, it in turn increased the credit risk of the corresponding rental deposit of the Jiachao's Shopping Mall to a certain extent. The Group determined that this was the evidence indicating that such rental deposit became credit-impaired.

The movement in the allowance for ECL on rental deposits is as follows:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 July 2022	–	–	–
Allowance for ECL recognised for the year	19,247	–	19,247
Exchange realignment	(828)	–	(828)
As at 30 June 2023 and 1 July 2023	18,419	–	18,419
Transfer to lifetime ECL (credit-impaired)	(18,198)	18,198	–
Allowance for ECL recognised for the year	(417)	90,129	89,712
Exchange realignment	200	(1,165)	(965)
As at 30 June 2024	4	107,162	107,166

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 3 years HK$'000	3–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 30.6.2024 HK$'000
2024									
Other payables	N/A	45,904	–	–	–	–	–	45,904	45,904
Lease liabilities	3.95% – 5.88%	8,025	14,728	44,918	124,102	130,259	490,189	812,221	630,994
Amount due to a substantial shareholder	N/A	4,164	–	–	–	–	–	4,164	4,164
Bonds	8.00%	–	–	800	10,500	–	–	11,300	10,005
		58,093	14,728	45,718	134,602	130,259	490,189	873,589	691,067

	Effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 3 years HK$'000	3–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 30.6.2023 HK$'000
2023									
Other payables	N/A	32,323	–	–	–	–	–	32,323	32,323
Lease liabilities	4.71% – 8.45%	44,556	19,471	58,413	160,636	168,655	737,162	1,188,893	893,626
Amount due to a substantial shareholder	N/A	192	–	–	–	–	–	192	192
Bonds	8.00%	–	–	800	11,303	–	–	12,103	10,003
		77,071	19,471	59,213	171,939	168,655	737,162	1,233,511	936,144

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in floating interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

7. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) the lease payments received and receivable in the normal course of business, net of related taxes for the year and (ii) property management and related services fee received and receivable.

	2024	2023
	HK$'000	HK$'000
Revenue from major business services:		
Revenue within the scope of HKFRS 16		
Rental income from leasing of properties	**41,577**	60,174
Revenue from contracts with customers within the scope of HKFRS 15		
Property management fee income	**67,887**	81,312
Property management – other related services	**1,696**	1,747
	69,583	83,059
	111,160	143,233
Disaggregated by timing of revenue recognition:		
Over time:		
Property management fee income	**67,887**	81,312
Property management – other related services	**1,696**	1,747
	69,583	83,059

Performance obligations for revenue from contracts with customers

Property management fee

Property management fee is recognised over the service period. The Group receives monthly property management fee payments from customers one to three months in advance under the contracts. Advance consideration allocated to the properties management services is recognised as a contract liability and is released over the period of services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Information reported to the board of directors, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the reporting period, there is only one single reportable segment for the Group, which is the property operating segment operated in the PRC. From a product perspective, the management assesses the performance from property operating segment only.

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment results represent profit or loss from the segment without allocation of income tax credit, loan interest income, reversal of allowance for ECL on loan receivables and unallocated administrative expenses.

No tenant from the property operating segment contributed 10 per cent or more of the Group's revenue for the year ended 30 June 2024 (2023: One single tenant from the property operating segment contributed 10 per cent or more of the Group's revenue, and the total amount of revenue from this tenant was HK$24,781,000).

The CODM assesses the performance of the property operating segment based on revenue and net profit.

The CODM makes decisions according to operating results of the property operating segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

For the year ended 30 June 2024	**Property operating HK$'000**
Revenue	**111,160**
Segment result	**(279,557)**
Income tax expenses	**(17,471)**
Loan interest income	**327**
Reversal of allowance for ECL on loan receivables	**37,310**
Unallocated administrative expenses	**(11,401)**
Loss for the year	**(270,792)**

	Property operating HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss			
Bank interest income	**33**	**94**	**127**
Gain on lease modification	**41,698**	**–**	**41,698**
Interest expenses	**(38,667)**	**(818)**	**(39,485)**
Loss on fair value changes of investment properties	**(260,870)**	**–**	**(260,870)**
Allowance for ECL on rental deposits	**(89,712)**	**–**	**(89,712)**
Allowance for ECL on trade receivables	**(2,430)**	**–**	**(2,430)**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss			
Depreciation of property, plant and equipment	**(227)**	**(12)**	**(239)**
Depreciation of right-of-use assets	**(192)**	**(402)**	**(594)**
Additions to non-current assets	**7**	**438**	**445**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

For the year ended 30 June 2023	Property operating HK$'000
Revenue	143,233
Segment result	(674,864)
Income tax credit	173,949
Loan interest income	13,964
Allowance for ECL on loan receivables	(184,361)
Unallocated administrative expenses	(12,136)
Loss for the year	(683,448)

	Property operating HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss			
Bank interest income	55	2	57
Interest expenses	(41,989)	(1,772)	(43,761)
Loss on fair value changes of investment properties	(720,225)	–	(720,225)
Allowance for ECL on rental deposits	(19,247)	–	(19,247)
Allowance for ECL on trade receivables	(2,225)	–	(2,225)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss			
Depreciation of property, plant and equipment	(192)	(4)	(196)
Depreciation of right-of-use assets	(198)	(985)	(1,183)
Additions to non-current assets	203	–	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

8. OTHER INCOME AND OTHER GAIN AND LOSS

	2024	2023
	HK$'000	HK$'000
Bank interest income	**127**	57
Car parking income	**6,259**	7,159
Service income	**3,945**	2,895
Net exchange loss	**(20)**	(1,724)
Government grant *(Note)*	**–**	99
Loan interest income	**327**	13,964
Rental deposits imputed interest income	**2,164**	5,570
Others	**451**	456
	13,253	28,476

Note:

During the year ended 30 June 2023, the Group recognised COVID-19-related government grants of approximately HK$52,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund and the remaining balance of grant of approximately HK$47,000 was provided by the PRC government in relation to the employment support scheme. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

9. FINANCE COSTS

	2024	2023
	HK$'000	HK$'000
Interest on		
– Secured bank borrowings	**–**	19
– Bonds	**802**	1,706
– Lease liabilities	**38,683**	42,036
	39,485	43,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

10. INCOME TAX EXPENSES/(CREDIT)

	2024 HK$'000	2023 HK$'000
Income tax recognised in profit and loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**4,612**	4,792
– Under provision in prior years	**11**	1,640
Deferred tax *(Note 27)*	**12,848**	(180,381)
	17,471	(173,949)

Hong Kong Profits Tax was calculated at 16.5% (2023: 16.5%) of the estimated assessable profit for the financial year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for both years.

PRC EIT has been entitled at the rate of 25% of the profits for the PRC statutory financial reporting purpose for the years ended 30 June 2024 and 2023, adjusted for those items which are not assessable or deductible for the PRC EIT purpose.

As at 30 June 2024 and 2023, no deferred tax liabilities were recognised in respect of the undistributed retained earnings of the PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

The income tax expenses/(credit) for the corresponding years can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 HK$'000	2023 HK$'000
Loss before taxation	**(253,321)**	(857,397)
Tax at the income tax rate of 25% (2023: 25%)	**(63,330)**	(214,349)
Tax effect of expenses not deductible for tax purpose	**14,493**	3,689
Tax effect of temporary difference not recognised	**70,230**	51,457
Tax effect of income not taxable for tax purpose	**(3,933)**	(16,050)
Tax effect of under provision in previous years	**11**	1,640
Tax effect of different tax rates under different jurisdictions	**–**	(336)
Income tax expenses/(credit) recognised in profit or loss	**17,471**	(173,949)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

11. LOSS FOR THE YEAR

	2024 HK$'000	2023 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments	**3,972**	3,929
– other staff's salaries and other benefits	**14,480**	14,679
– other staff's retirement benefit scheme contributions	**1,923**	2,027
	20,375	20,635
Auditor's remuneration		
– Audit service		
– Auditor I	**1,200**	–
– Auditor II	**600**	–
– Auditor III	**–**	1,200
– Non-audit service		
– Auditor III	**280**	–
Depreciation of property, plant and equipment	**239**	196
Depreciation of right-of-use assets	**594**	1,183
Expenses related to short-term leases in respect of rented premise	**6**	571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

(a) Directors' emoluments

2024

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Chen Jinyan (Chairman)	–	1,800	23	1,823
Mr. Chen Jindong *(Note (a))*	–	1,800	9	1,809
Mr. Yao Linying *(Note (b))*	–	9	–	9
Non-Executive Directors				
Ms. Cai Wenxiao *(Note (c))*	55	–	–	55
Independent Non-Executive Directors				
Mr. Chong Hon Wang *(Note (d))*	–	–	–	–
Mr. Kwan Chi Fai *(Note (e))*	120	–	–	120
Ms. Chong Sze Pui Joanne	120	–	–	120
Ms. Wang Yuqin	36	–	–	36
	331	3,609	32	3,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

(a) Directors' emoluments *(Continued)*

2023

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Chen Jinyan (Chairman)	–	1,800	34	1,834
Mr. Chen Jindong	–	1,800	9	1,809
Independent Non-Executive Directors				
Mr. Kwan Chi Fai	120	–	–	120
Mr. Lin Ye *(Note (f))*	10	–	–	10
Ms. Chong Sze Pui Joanne	120	–	–	120
Ms. Wang Yuqin	36	–	–	36
	286	3,600	43	3,929

Notes:

(a) Mr. Chen Jindong resigned as an executive director on 21 August 2024.

(b) Mr. Yao Linying was appointed as an executive director on 24 June 2024.

(c) Ms. Cai Wenxiao was appointed and resigned as an non-executive director on 28 November 2023 and 23 January 2024 respectively.

(d) Mr. Chong Hon Wang was appointed as an independent non-executive director on 25 July 2024.

(e) Mr. Kwan Chi Fai resigned as an independent non-executive director on 25 July 2024.

(f) Mr. Lin Ye resigned as an independent non-executive director on 15 October 2022.

No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 30 June 2024 (2023: Nil). No directors have waived or agreed to waive any emoluments during the year ended 30 June 2024 (2023: Nil).

The executive directors' emoluments shown above mainly for their services in connection with the management of the affairs of the Company and the Group. Emoluments of the independent non-executive directors shown above were mainly for their services as directors of the Company. Mr. Chen Jindong is also the former chief executive officer of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 30 June 2024 included two (2023: two) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2023: three) individuals are as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other benefits	**2,530**	2,494
Retirement benefit scheme contributions	**43**	30
	2,573	2,524

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2024 **HK$'000**	2023 HK$'000
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 30 June 2024 (2023: Nil). None of the five highest paid individuals have waived or agreed to waive any emoluments during the year ended 30 June 2024 (2023: Nil).

13. DIVIDEND

	2024 **HK$'000**	2023 HK$'000
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Special dividend – HK$0.001 per share	**2,689**	–

The board of directors does not recommend any final dividend for the year ended 30 June 2024 (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

14. LOSS PER SHARE

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

	2024	2023
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(270,792)**	(683,448)

	2024	2023
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,688,805**	2,688,805

Diluted loss per share is calculated by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the year. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share options issued by the Company.

For the years ended 30 June 2024 and 2023, the share options issued by the Company were not included in the calculation of diluted loss per share because of their anti-dilutive effect. Therefore, diluted loss per share was equal to basic loss per share for the years ended 30 June 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

15. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
COST				
As at 1 July 2022	3,886	304	278	4,468
Additions	–	–	203	203
Exchange realignment	(334)	–	(9)	(343)
As at 30 June 2023 and 1 July 2023	3,552	304	472	4,328
Additions	**–**	**59**	**11**	**70**
Written off	**–**	**(304)**	**(255)**	**(559)**
Exchange realignment	**–**	**–**	**–**	**–**
As at 30 June 2024	**3,552**	**59**	**228**	**3,839**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 July 2022	108	304	270	682
Provided for the year	183	–	13	196
Exchange realignment	(17)	–	–	(17)
As at 30 June 2023 and 1 July 2023	274	304	283	861
Provided for the year	**177**	**9**	**53**	**239**
Written off	**–**	**(304)**	**(255)**	**(559)**
Exchange realignment	**(2)**	**–**	**(1)**	**(3)**
As at 30 June 2024	**449**	**9**	**80**	**538**
NET CARRYING AMOUNT				
As at 30 June 2024	**3,103**	**50**	**148**	**3,301**
As at 30 June 2023	3,278	–	189	3,467

As at 30 June 2023, the building was pledged for general bank facilities. The bank facilities had not been utilised as at 30 June 2023. The building was not pledged as at 30 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

The above items of property, plant and equipment, after taking into account the residual value, are depreciated on straight-line basis at the following rates per annum:

Building	Over the lease term period
Leasehold improvements	20% – 25%
Furniture, fixtures, office equipment and motor vehicles (with 5% residual value on the cost)	20% – 33%
Plant and machinery	10%

During the year ended 30 June 2024, the management of the Group concluded there was no indicators for impairment, therefore no impairment was made (2023: Nil).

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	**Office** HK$'000	**Total** HK$'000
COST			
As at 1 July 2022	4,206	1,970	6,176
Exchange realignment	(362)	–	(362)
As at 30 June 2023 and 1 July 2023	3,844	1,970	5,814
Additions	–	375	375
Written off	–	(1,970)	(1,970)
As at 30 June 2024	**3,844**	**375**	**4,219**
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
As at 1 July 2022	101	739	840
Provided for the year	198	985	1,183
Exchange realignment	(18)	–	(18)
As at 30 June 2023 and 1 July 2023	281	1,724	2,005
Provided for the year	192	402	594
Written off	–	(1,970)	(1,970)
Exchange realignment	(2)	–	(2)
As at 30 June 2024	**471**	**156**	**627**
NET CARRYING AMOUNT			
As at 30 June 2024	**3,373**	**219**	**3,592**
As at 30 June 2023	3,563	246	3,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

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

	2024	2023
	HK$'000	HK$'000
Expense relating to short-term leases	**6**	571
Total cash outflow for leases (including short-term leases)	**57,390**	17,484

During the years ended 30 June 2024 and 2023, the Group leased office for its operations. Lease contracts are entered into for a fixed term of 2 years.

17. INVESTMENT PROPERTIES

The Group takes on the lease of shopping malls and subleases the retail stores of the shopping malls to tenants under operating leases with rentals payable monthly/quarterly. The subleases typically run for an initial period of 30 days to 20 years. Majority of the sublease contracts contain market review clauses in the event the tenants exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the sublease arrangements, as all subleases are denominated in the respective functional currency of group entities. The sublease contracts do not contain residual value guarantee and/or tenant's option to purchase the property at the end of the term of sublease.

	2024	2023
	HK$'000	HK$'000
Fair value		
Balance at the beginning of the year	**995,699**	1,843,529
Change in fair values of investment properties	**(260,870)**	(720,225)
Derecognition *(Note)*	**(170,652)**	–
Exchange realignment	**4,640**	(127,605)
Balance at the end of the year	**568,817**	995,699

Note:

As described in note 34 to the consolidated financial statements, since certain areas of the Jiachao's Shopping Mall was involved in litigation with a creditor of its landlord, the rental area of 50,532.48 square meters of the Jiaochao's Shopping Mall was deducted from the Jiachao's Lease Contract pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province. In light of the above, Zhongyuan Jinyi and Zhengzhou Jiachao entered into the Supplemental Agreement to amend the leased area under the Jiachao's Lease Contract starting from 22 June 2024, which constituted a lease modification in the year ended 30 June 2024.

For the lease modification, the Group remeasured lease liabilities corresponding to the remaining leased area of the Jiachao's Shopping Mall. The remeasured amount that differed from the original lease liabilities was reduced from the Group's lease liabilities, which was calculated to be approximately RMB195 million (equivalent to approximately HK$212,350,000). At the same time, the entering into of the Supplemental Agreement as tenant by Zhongyuan Jinyi required the Group to derecognise the amount from the Group's investment properties, because of the reduction of the leased area under the Jiachao's Lease Contract. The fair values derecognised by the Group under the Supplemental Agreement amounted to approximately RMB157 million (equivalent to approximately HK$170,652,000). By doing so, the Group recognised a gain from lease modification of approximately HK$41,698,000 (2023: Nil) during the year ended 30 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

17. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties as at 30 June 2024 and 2023 has been arrived at on the basis of a valuation carried out at the end of the year by International Valuation Limited (the "Valuer"), an independent qualified professional valuer not connected with the Group.

The Valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The fair value was arrived at by reference to comparable sales transactions available in the relevant market together with income approach by capitalising the net rental income derived from the existing tenancies under various terms.

In estimating the fair value of the investment properties, the directors of the Company has considered that the highest and best use of the properties is their current use upon the application of HKFRS 13 *Fair Value Measurement*. There has been no change of the valuation technique during the years ended 30 June 2024 and 2023.

All of the Group's investment properties are located in the PRC and classified as Level 3 in the fair value hierarchy.

There were no transfers into or out of Level 3 during the years ended 30 June 2024 and 2023.

At the end of the reporting period, the management of the Group works closely with the Valuer to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value as at 30 June 2024	Fair value as at 30 June 2023	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial – shopping mall	RMB529,000,000 (Equivalent to approximately HK$568,817,000)	RMB926,000,000 (Equivalent to approximately HK$995,699,000)	Combination of capitalisation method and comparison method	1) reversionary yield derived from market rent and price	2024: 6.25% to 6.75% p.a. (2023: 5.50% to 6.00% p.a.)	The higher the reversionary yield, the lower the fair value and vice versa.
				2) monthly unit rent	Market unit rate taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the properties which was RMB77 per square meter ("sqm") (2023: RMB98 per sqm)	The higher the monthly rent, the higher the fair value and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

17. INVESTMENT PROPERTIES *(Continued)*

The Group as lessor

Property rental income, management fee income and operating service income earned during the year were HK$111,160,000 (2023: HK$143,233,000). All properties have committed tenants ranging from the next 1 to 12 years (2023: 1 to 11 years) and include an extension option.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2024 HK$'000	2023 HK$'000
Within one year	**30,855**	70,500
In the second to fifth years inclusive	**71,927**	164,391
Over five years	**34,771**	169,790
	137,553	404,681

18. RENTAL DEPOSITS

The amount represents refundable deposits paid to landlord for leasing the shopping malls which are classified as investment properties as set out in note 17.

Details of impairment assessment under ECL model for rental deposits are set out in note 6.

19. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**16,802**	15,290
Less: Allowance for ECL	**(4,533)**	(2,129)
	12,269	13,161
Prepayment	**1,226**	1,064
Other receivables *(Note)*	**16,298**	16,313
	29,793	30,538

Note:

It mainly includes payments on behalf of a landlord of approximately HK$7,502,000, other tax recoverable of approximately HK$1,163,000 and deposits paid of approximately HK$1,325,000 (2023: payments on behalf of a landlord of approximately HK$5,317,000, other tax recoverable of approximately HK$1,645,000 and deposits paid of approximately HK$1,561,000).

As at 30 June 2024 and 2023, all trade receivables of the Group were in the functional currency of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an ageing analysis of trade receivables before deducting the allowance for ECL presented based on date of rendering of services:

	2024	2023
	HK$'000	HK$'000
0 – 60 days	**3,614**	4,938
61 – 90 days	**3,704**	3,214
Over 90 days	**9,484**	7,138
Trade receivables	**16,802**	15,290

The Group measures allowance for ECL on trade receivables at an amount equal to lifetime ECL.

Before accepting any new tenants, the Group assesses the potential tenants' credit quality. 22% (2023: 32%) of trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

Details of impairment assessment under ECL model for trade and other receivables for the years ended 30 June 2024 and 2023 are set out in note 6.

20. LOAN RECEIVABLES

	2024	2023
	HK$'000	HK$'000
Gross carrying amount of loan and interest receivables	**204,278**	222,859
Less: Allowance for ECL	**(185,951)**	(222,859)
	18,327	–

The Group held two loan receivables as at 30 June 2024 (2023: One), the details of which are as follows,

a) On 28 April 2021, the Group entered into an agreement with an independent third party ("Borrower I") to lend RMB250,000,000 (equivalent to approximately HK$294,118,000). The loan was interest-bearing at 7.500% per annum and due on 27 April 2022. The loan was secured by 25% equity interests of Zhengzhou Jiachao Property Services Co., Ltd.* ("Zhengzhou Jiachao") and 25% equity interests of Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* ("Zhongyuan Jinyi") both held by a former non-controlling shareholder of a subsidiary ("Guarantor I").

* *For identification only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

20. LOAN RECEIVABLES *(Continued)*

a) *(Continued)*

On 19 November 2021, the Group entered into the first supplemental agreement with Borrower I, Guarantor I and a new guarantor which is an independent third party (the "Guarantor II"). Pursuant to which, the principal amount of loan receivable was revised from RMB250,000,000 (equivalent to approximately HK$294,118,000) to RMB210,000,000 (equivalent to approximately HK$253,012,000) and the share charged over the 25% equity interests of Zhongyuan Jinyi held by a former non-controlling shareholder of a subsidiary was released. At the same time, the Group received RMB40,000,000 (equivalent to approximately HK$48,193,000) for repayment of principal and the interest receivables remained outstanding.

On 29 June 2022, the Group and the Borrower I entered into the second supplemental agreement to (i) extend the maturity date of loan receivable and agree to repay the outstanding balance by three instalments. The last instalment was due on 27 April 2023; and (ii) revise the interest rate of loan receivable to 4.785% per annum effective from 28 April 2022 and up to and including 27 April 2023.

As at 30 June 2023, the loan receivable outstanding amounted to RMB174,346,000 (equivalent to approximately HK$187,469,000). The Group assessed the credit risk of the renewed loan based on the Borrower I's repayment ability, financial status and communications with the Borrower I. The Group has not yet reached any consensus with the Borrower I with respect to a revised repayment schedule for the renewed loan. Hence, Borrower I was considered to be in default as of 27 April 2023, and therefore, the loan receivable has been transferred to stage 3 lifetime ECL and fully impaired during the year ended 30 June 2023.

As at 30 June 2024, the Group held collateral of 25% equity interests of Zhengzhou Jiachao, a former subsidiary of the Company over the loan receivable with gross principal amount of RMB140,021,000 (equivalent to approximately HK$150,560,000) (2023: RMB174,346,000 (equivalent to approximately HK$187,469,000)) in aggregate and related gross interest receivables of RMB32,913,000 (equivalent to approximately HK$35,390,000) (2023: RMB32,913,000 (equivalent to approximately HK$35,390,000)). The loan receivable was fully guaranteed by Guarantor I and Guarantor II. Reversal of allowance for ECL of RMB34,325,000 (equivalent to approximately HK$37,310,000) (2023: allowance for ECL of RMB164,081,000 (equivalent to approximately HK$184,361,000)) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024, which represent settlements received during the year ended 30 June 2024.

The carrying amount of RMB172,934,000 (equivalent to approximately HK$185,951,000) already matured as at 27 April 2023 has still not yet settled up to the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

20. LOAN RECEIVABLES *(Continued)*

b) On 25 April 2024, the Group entered into another agreement with a party ("Borrower II") to lend HK$18,000,000. The amount was interest-bearing at 8.500% per annum and due on 30 June 2024. The amount was secured by the Company's two unlisted and non-transferable bonds at face value of HK$7,000,000 and HK$3,000,000, held by another party ("Guarantor III"). Both Borrower II and Guarantor III have unconditionally and irrevocably committed to not disposing of the Company's shares they hold under any circumstances before the loan and interest are fully repaid. Additionally, at the Group's request, they must immediately sell the Company's shares and use the proceeds to repay any overdue loan amounts owed by Borrower II, either in whole or in part (the "Commitment"). As of the date of the agreement, Borrower II held 765,000 shares, while Guarantor III held 63,800,000 shares.

As at 30 June 2024, the loan receivable with gross principal amount of HK$18,000,000 and related gross interest receivables of HK$327,000 has matured but were not yet settled. This loan was interest-bearing at a rate of 8.500% per annum, and was fully guaranteed by the Guarantor III and the Group held collateral in the form of the two bonds held by the Guarantor III. It was also secured by the Commitment made by both Borrower II and Guarantor III. No allowance for ECL has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024.

Loan receivable mentioned in (a) is denominated in RMB, the functional currency of the relevant group entities, while loan receivable mentioned in (b) is denominated in HK$.

The movements in the allowance for ECL on loan receivables are as follows:

	Stage 2 Lifetime ECL (not credit-impaired) HK$'000	Stage 3 Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 July 2022	50,798	–	50,798
Allowance for ECL recognised for the year	–	184,361	184,361
Transfer to lifetime ECL (credit-impaired)	(48,515)	48,515	–
Exchange realignment	(2,283)	(10,017)	(12,300)
As at 30 June 2023 and 1 July 2023	–	222,859	222,859
Allowance for ECL reversed for the year	–	(37,310)	(37,310)
Exchange realignment	–	402	402
As at 30 June 2024	**–**	**185,951**	**185,951**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

20. LOAN RECEIVABLES *(Continued)*

Reconciliation of gross carrying amount of loan receivables and interest receivables for the years ended 30 June 2024 and 30 June 2023 are as follow:

	2024 **HK$'000**	2023 HK$'000
As at 1 July	**222,859**	264,507
Addition	**18,000**	–
Repayment	**(37,310)**	(33,708)
Interest receivable	**327**	–
Interest received	**–**	13,964
Exchange realignment	**402**	(21,904)
As at 30 June	**204,278**	222,859

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest rates ranging from 0.125% to 0.875% (2023: 0.125% to 0.350%) per annum.

The Group's bank balances and cash denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2024 **HK$'000**	2023 HK$'000
HK$	**1,198**	1,034

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For the year ended 30 June 2024

22. OTHER PAYABLES

	2024	2023
	HK$'000	HK$'000
Receipts in advance of rental income from leasing of properties	**12,028**	15,042
Deposits received from tenants	**25,843**	24,832
Accrued charges and other payables	**5,211**	4,090
Dividend payable	**192**	3
Other tax payables	**4,051**	3,398
Provision for litigation *(Note)*	**10,607**	–
	57,932	47,365

Note:

Pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province ((2024) Yu 0102 Ming Chu No. 4142) (河南省鄭州市中原區人民法院(2024)豫0102民初4142號《民事判決書》), Zhongyuan Jinyi was ordered to make the rental payment to the creditor of Zhengzhou Jiachao, amounting to approximately RMB9,864,000 (equivalent to approximately HK$10,722,000). Such amount was then reclassified from lease liabilities to other payables and presented as provision for litigation. As at 30 June 2024, the balance of provision for litigation was approximately HK$10,607,000 (2023: Nil).

23. CONTRACT LIABILITIES

	2024	2023
	HK$'000	HK$'000
Property management fee	**11,301**	11,017

The contract liabilities primarily relate to the advanced consideration received from customers, for which, revenue is recognised based on the progress of the provision of related services.

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

23. CONTRACT LIABILITIES *(Continued)*

Movements in contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2024 HK$'000	2023 HK$'000
As at 1 July	11,017	9,881
Decrease in contract liabilities as a result of		
– revenue recognised that was included in the contract liability balance at the beginning of the year	(11,017)	(9,881)
Increase in contract liabilities as a result of		
– receipts in advance of property management fee	11,301	11,017
As at 30 June	11,301	11,017

24. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2024 HK$'000	2023 HK$'000
Current	66,138	120,545
Non-current	564,856	773,081
	630,994	893,626
– within one year	66,138	120,545
– more than one year but not more than two years	57,483	73,014
– more than two years but not more than three years	55,494	71,964
– more than three years but not more than five years	107,462	136,654
– more than five years	344,417	491,449
	630,994	893,626
Amounts due for settlement within one year (shown under current liabilities)	(66,138)	(120,545)
Amounts due for settlement after one year (shown under non-current liabilities)	564,856	773,081

The weighted average incremental borrowing rates applied to lease liabilities as at 30 June 2024 from 3.95% to 5.88% (2023: 4.71% to 8.45%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

25. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount due to a substantial shareholder is unsecured, interest free and repayable on demand. It was denominated in HK$ (2023: RMB) as at 30 June 2024.

26. BONDS

	2024 **HK$'000**	2023 HK$'000
Within 1 year	**–**	–
Between 2 to 5 years *(Note)*	**10,005**	10,003
	10,005	10,003

Note:

On 8 August 2018 and 29 August 2018, the Company issued two unlisted and non-transferable bonds at face value of HK$7,000,000 and HK$3,000,000 to an independent third party. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK$10,000,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.00% (2023: 8.00%) per annum.

The movements of the liability component of the Group's bonds during the year are as follows:

	HK$'000
As at 1 July 2022	25,344
Repayment of bonds due to maturity	(15,341)
Effective interest charged for the year	1,706
Coupon interest paid/payable	(1,706)
As at 30 June 2023 and 1 July 2023	10,003
Effective interest charged for the year	802
Coupon interest paid/payable	(800)
As at 30 June 2024	**10,005**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

27. DEFERRED TAX ASSETS/(LIABILITIES)

The followings are the deferred tax assets/(liabilities) recognised by the Group and movement thereon during the current and prior years.

	Fair Value adjustment on investment properties HK$'000	**Undistributable profits of PRC's subsidiaries** HK$'000	**Total** HK$'000
As at 1 July 2022	(178,686)	(1,250)	(179,936)
Credit to profit or loss	180,056	325	180,381
Exchange realignment	7,626	–	7,626
As at 30 June 2023 and 1 July 2023	8,996	(925)	8,071
Credit to profit or loss *(Note (a))*	–	–	–
Release upon derecognition *(Note (b))*	(12,848)	–	(12,848)
Exchange realignment	139	–	139
As at 30 June 2024	(3,713)	(925)	(4,638)

Notes:

(a) During the year ended 30 June 2024, the Group has taxable temporary difference of approximately HK$226,087,000 (2023: Nil) arising from the fair value adjustment on investment properties, since deferred tax assets thereon cannot been recognised because of the unpredictability of future profit streams.

(b) Part of the deferred tax liabilities arising from the fair value adjustment on investment properties in the prior years have been released upon derecognition because of the lease modification as stated in note 17.

The Group has unused tax losses of HK$150,802,000 (2023: HK$150,802,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$150,802,000 (2023: HK$150,802,000) that will expire on 30 June 2026.

The Group has reversal of deductible temporary difference of approximately HK$37,310,000 (2023: deductible temporary difference of HK$184,361,000), deductible temporary difference of approximately HK$89,712,000 (2023: deductible temporary difference of HK$19,247,000) and deductible temporary difference of HK$2,430,000 (2023: deductible temporary difference of HK$2,225,000), arising from the reversal of allowance for ECL/(allowance for ECL) on loan receivables, rental deposits and trade receivables respectively. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiaries in the PRC amounting to approximately HK$83,798,000 (2023: HK$80,699,000) as at 30 June 2024 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

28. SHARE CAPITAL OF THE COMPANY

	2024 **HK$'000**	2023 HK$'000
Authorised:		
5,000,000,000 ordinary shares with HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
2,688,805,163 ordinary shares with HK$0.01 each	**26,888**	26,888

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include directors and employees of the Company, its subsidiaries or any Invested Entity, customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity and any shareholder of any members of the Group or any Invested Entity or any holder of any securities issued by any members of the Group or any Invested Entity. The Scheme became effective on 23 November 2013 (the "Effective Date") and, unless otherwise terminated or amended, will remain in force for 10 years.

As at 30 June 2024, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 26,850,000 (2023: 26,850,000), representing approximately 1% (2023: 1%) of the issued share capital of the Company at that date. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed such number of the Company's shares as equal to 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Company's shares in issue at the Effective Date. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company which shall not be lower than the nominal value of the shares of the Company and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of the grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

A new share option scheme (the "New Scheme") has been adopted and approved by the shareholders in the annual general meeting on 23 November 2023, and effective for a period for 10 years. The New Scheme is similar to the Scheme, and is largely in line with the market form. The directors of the Company currently does not have a concrete plan to grant any options or awards to any of the participants upon the adoption of the New Scheme. The directors of the Company will from time to time consider whether to grant any options to the participants based on a number of factors, including, inter alia, the Group's overall financial performance, the participants' individual performance and their contribution to the revenue, profits or business development of the Group.

The following table discloses movements of the Company's share options held by independent non-executive directors and employees during the current and prior years:

(a) The terms and conditions of the grants are as follows:

Category	Date of grant	Exercise period	Exercise price HK$	Outstanding as at 30.6.2022	Forfeited during the year	Outstanding as at 30.6.2023	Forfeited during the year	Outstanding as at 30.6.2024
Independent Non-executive Directors	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	(2,080,000)	–	**–**	**–**
Employees	15.1.2018	15.1.2018 to 14.1.2028	0.430	26,850,000	–	26,850,000	**–**	**26,850,000**
Granted Total				28,930,000	(2,080,000)	26,850,000	**–**	**26,850,000**
Exercisable at year end				28,930,000		26,850,000		**26,850,000**

(b) The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**26,850,000**	**0.430**	28,930,000	0.411
Forfeited during the year	**–**	**0.430**	(2,080,000)	0.166
Outstanding at the end of the year	**26,850,000**	**0.430**	26,850,000	0.430
Exercisable at the end of the year	**26,850,000**	**0.430**	26,850,000	0.430

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 3.54 years (2023: 4.54 years) and the exercise price is HK$0.430 (2023: HK$0.430).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

30. RELATED PARTY TRANSACTIONS

The remuneration of directors, being the key management personnel, during the year was as follows:

	2024	2023
	HK$'000	HK$'000
Salaries and other benefits	**3,940**	3,886
Retirement benefit scheme contributions	**32**	43
	3,972	3,929

The remuneration of directors is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

In addition, other than those disclosed in note 20(b) and note 25 to the consolidated financial statements, there are no other related party transactions.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bonds	**Amount due to a substantial shareholder**	**Secured bank borrowing**	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 July 2022	25,344	47,496	–	976,100	1,048,940
Changes from financing cash flows:					
Advance from	–	9,058	6,404	–	15,462
Repayment	(17,047)	(55,548)	(6,423)	(16,913)	(95,931)
Total changes from financing cash flows	(17,047)	(46,490)	(19)	(16,913)	(80,469)
Effect of changes in foreign exchange rates	–	(814)	–	(83,966)	(84,780)
Other changes:					
Interest expenses	1,706	–	19	42,036	43,761
Offset with other receivables *(Note 1)*	–	–	–	(23,631)	(23,631)
Total changes from other changes	1,706	–	19	18,405	20,130
As at 30 June 2023	10,003	192	–	893,626	903,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Bonds	Amount due to a substantial shareholder	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 July 2023	10,003	192	893,626	903,821
Changes from financing cash flows:				
Advance from	–	**4,164**	–	**4,164**
Addition	–	–	**375**	**375**
Repayment	**(800)**	**(194)**	**(57,384)**	**(58,378)**
Total changes from financing cash flows	**(800)**	**3,970**	**(57,009)**	**(53,839)**
Effect of changes in foreign exchange rates	–	**2**	**2,854**	**2,856**
Other changes:				
Interest expenses	**802**	–	**38,683**	**39,485**
Lease modification *(Note 2)*	–	–	**(212,350)**	**(212,350)**
Offset with rental deposits *(Note 3)*	–	–	**(24,088)**	**(24,088)**
Reclassification to other payables *(Note 4)*	–	–	**(10,722)**	**(10,722)**
Total changes from other changes	**802**	–	**(208,477)**	**(207,675)**
As at 30 June 2024	**10,005**	**4,164**	**630,994**	**645,163**

Note 1: Zhengzhou Jiachao, the landlord of Jiachao's Shopping Mall, agreed that the rental payment of approximately RMB21,032,000 (equivalent to approximately HK$23,631,000) was set-off with other receivables due from the landlord during the year ended 30 June 2023.

Note 2: Please refer to note 17 to the consolidated financial statements for the details of lease modification.

Note 3: Zhengzhou Hanyuan Real Estate Co., Ltd.*, the landlord of Zone C Shopping Mall, agreed that the rental payment of approximately RMB22,161,000 (equivalent to approximately HK$24,088,000) was set-off with the rental deposit due from the landlord during the year ended 30 June 2024.

Note 4: Pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province ((2024) Yu 0102 Ming Chu No. 4142) (河南省鄭州市中原區人民法院(2024)豫0102民初4142號《民事判決書》), Zhongyuan Jinyi was ordered to make the rental payment to the creditor of Zhengzhou Jiachao, amounting to approximately RMB9,864,000 (equivalent to approximately HK$10,722,000). Such amount was then reclassified from lease liabilities to other payables and presented as provision for litigation. As at 30 June 2024, the balance of provision for litigation was approximately HK$10,607,000 (2023: Nil).

* *For identification only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

32. FINANCIAL INFORMATION OF THE COMPANY

	NOTES	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**54**	3
Right-of-use asset		**219**	246
Investments in subsidiaries	*33*	**–**	–
		273	249
CURRENT ASSETS			
Loan receivables	*20*	**18,327**	–
Other receivables		**62**	325
Amount due from subsidiaries	*33*	**296,218**	555,461
Bank balances and cash		**1,093**	975
		315,700	556,761
CURRENT LIABILITIES			
Other payables		**2,571**	1,424
Lease liability		**190**	262
Amount due to a subsidiary	*33*	**309,743**	277,321
Amount due to a substantial shareholder	*25*	**4,164**	–
		316,668	279,007
NET CURRENT (LIABILITIES)/ASSETS		**(968)**	277,754
TOTAL ASSETS LESS CURRENT LIABILITIES		**(695)**	278,003
CAPITAL AND RESERVES			
Share capital	*28*	**26,888**	26,888
Share premium and reserves		**(37,621)**	241,112
TOTAL (DEFICIT)/EQUITY *(Note)*		**(10,733)**	268,000
NON-CURRENT LIABILITIES			
Bonds	*26*	**10,005**	10,003
Lease liability		**33**	–
		10,038	10,003
		(695)	278,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

32. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: Details of movements of the Company's share capital, share premium and reserves are as follows:

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings/ (Accumulated) losses) HK$'000	Total HK$'000
As at 1 July 2022	26,888	48,746	172,750	15,469	5,557	366,258	635,668
Loss for the year	–	–	–	–	–	(367,668)	(367,668)
Forfeiture of share options under employee share option scheme	–	–	–	–	(155)	155	–
As at 30 June 2023 and 1 July 2023	26,888	48,746	172,750	15,469	5,402	(1,255)	268,000
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(276,044)**	**(276,044)**
Special dividend *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**(2,689)**	**(2,689)**
As at 30 June 2024	**26,888**	**48,746**	**172,750**	**15,469**	**5,402**	**(279,988)**	**(10,733)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly		Indirectly		Principal activities
			2024 %	2023 %	**2024 %**	2023 %	
Big Luck International (HK) Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Max High International Limited	BVI	US$30,000 Ordinary shares	**–**	–	**100**	100	Investment holding
Right Lane International Limited	BVI	US$30,000 Ordinary shares	**100**	100	**–**	–	Investment holding
Jelly Cage Limited	BVI	US$1 Ordinary shares	**–**	–	**100**	100	Investment holding
Highly Develop Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Zhengzhou Changdun Asset Management Co., Ltd.* ("Zhengzhou Changdun")**	PRC	HK$10,000,000	**–**	–	**100**	100	Investment holding
Zhengzhou Xuqi Operation Management Co., Ltd.* ("Zhengzhou Xuqi")**, ****	PRC	RMB500,000	**–**	N/A	**100**	N/A	Investment holding
Zhengzhou Jinfu Commercial Management Co., Ltd.* ("Zhengzhou Jinfu")***	PRC	RMB7,700,000	**–**	–	**100**	100	Property operating
Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* ("Zhongyuan Jinyi")***	PRC	RMB5,000,000	**–**	–	**100**	100	Property operating
Zhengzhou Xufu Commercial Operation Management Co., Ltd. * ("Zhengzhou Xufu")***, ****	PRC	RMB500,000	**–**	–	**100**	100	Property operating

** *Zhengzhou Changdun and Zhengzhou Xuqi are established as wholly foreign-owned enterprises under the relevant PRC laws and regulations.*

*** *Zhengzhou Jinfu, Zhongyuan Jinyi and Zhengzhou Xufu are established as wholly domestic-owned enterprises under the relevant PRC laws and regulations.*

**** *Zhengzhou Xufu was newly established and incorporated during the year ended 30 June 2023 and Zhengzhou Xuqi was newly established and incorporated during the year ended 30 June 2024.*

None of the subsidiaries had issued any debt securities at the end of both years and during the years ended 30 June 2024 and 2023.

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed term of repayment.

* *For identification only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

34. EVENT AFTER REPORTING PERIOD

The Company understands that Zhengzhou Jiachao Property Services Co., Ltd.* (鄭州佳潮物業服務有限公司)("Zhengzhou Jiachao"), the landlord of the Jiachao's Shopping Mall, has taken out loans and charged its properties, including the Jiachao's Shopping Mall, to the creditors. The Company further understands that certain creditors brought actions against Zhengzhou Jiachao for default in payments.

Pursuant to the judgment of the People's Court of Zhongyuan District, Zhengzhou City, Henan Province ((2024) Yu 0102 Ming Chu No. 4142) (河南省鄭州市中原區人民法院(2024)豫0102民初4142號《民事判決書》), the leased area of 50,532.48 square meters of the Jiaochao's Shopping Mall was deducted from the lease contract dated 26 April 2021 entered into by Zhengzhou Jiachao as the lessor and Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* ("Zhongyuan Jinyi") (鄭州中原錦藝商業運營管理有限公司) as the lessee in respect of the Jiachao's Shopping Mall with a leased area of 125,188.32 square meters ("Jiachao's Lease Contract") and rental income from the sub-tenant with respect to those leased area shall be paid to the court. In light of the above, the parties entered into a supplemental agreement ("Supplemental Agreement") to amend the leased area under Jiachao's Lease Contract starting from 22 June 2024. Please also refer to the announcement of the Company dated 9 October 2024 for details.

For the accounting implications of the above circumstances, please refer to note 17 to the consolidated financial statements for details.

* *For identification only*

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Revenue	159,547	188,634	184,601	143,233	**111,160**
Loss for the year	(35,713)	(227,892)	(88,159)	(683,448)	**(270,792)**
Loss per share	HK(1.14)cents	HK(6.63)cents	HK(3.60)cents	HK(25.42)cents	**HK(10.07)cents**

ASSETS AND LIABILITIES

	As at 30 June				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Total assets	3,145,875	2,854,169	2,297,458	1,233,142	**711,114**
Total liabilities	(1,397,473)	(1,339,411)	(1,285,034)	(964,700)	**(719,052)**
Total equity/(deficit) attributable to owners of the Company	1,748,402	1,514,758	1,012,424	268,442	**(7,938)**

SCHEDULE OF LEASED INVESTMENT PROPERTIES

Particulars of leased investment properties as at 30 June 2024:

Address	**Existing use**	**Rental year ended 30 June 2024**
Partial of basement 1 and partial of Level 4, Zone A and basement 1, Level 1-4, Zone B No. 36 Mian Fang West Road Zhongyuan District, Zhengzhou City Henan Province, the PRC	Shopping mall	22 June 2021 – 21 June 2036
Basement 1, Level 1-5, Zone C No. 40 Mian Fang West Road Zhongyuan District, Zhengzhou City Henan Province, the PRC	Shopping mall	18 June 2021 – 17 June 2036

Note: The lease term of the above leased investment properties is medium, i.e. less than 50 years but not less than 10 years.