Huayu Expressway Group Limited
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1823

ANNUAL REPORT 2024

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Yeung Nam *(Chairman)*
Fu Jie Pin *(Chief Executive Officer)*
Liu Bao Hua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Hon Kuen
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

Chu Kin Wang, Peleus *(Chairman)*
Hu Lie Ge
Lam Hon Kuen

NOMINATION COMMITTEE

Lam Hon Kuen *(Chairman)*
Hu Lie Ge
Fu Jie Pin

REMUNERATION COMMITTEE

Hu Lie Ge *(Chairman)*
Chu Kin Wang, Peleus
Fu Jie Pin

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1205
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Lippo Centre
89 Queensway
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman
KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co.
39/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Financial Summary

For the year ended 31 December

RESULTS	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)
Revenue	**198,145**	407,104	409,886	688,452	515,851
(Loss)/profit before taxation	**(9,221)**	39,092	68,496	128,045	99,140
Income tax	**(4,064)**	(22,154)	(19,297)	(42,960)	(21,883)
(Loss)/profit from continuing operations	**(13,285)**	16,938	49,199	85,085	77,257
Profit from discontinued Sui-Yue Expressway operation, net of tax	**–**	342,400	37,715	49,219	–
(Loss)/profit for the year	**(13,285)**	359,338	86,914	134,304	77,257
Attributable to:					
Equity shareholders of the Company	**(8,514)**	329,432	49,028	86,426	65,722
Non-controlling interests	**(4,771)**	29,906	37,886	47,878	11,535
(Loss)/profit for the year	**(13,285)**	359,338	86,914	134,304	77,257

At 31 December

ASSETS AND LIABILITIES	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)
Total assets	**1,412,809**	1,249,230	1,955,952	1,908,017	1,784,493
Total liabilities	**334,380**	125,208	1,152,922	1,189,941	1,096,233
	1,078,429	1,124,022	803,030	718,076	688,260
Attributable to:					
Equity shareholders of the Company	**751,145**	803,826	518,168	471,587	518,015
Non-controlling interests	**327,284**	320,196	284,862	246,489	170,245
	1,078,429	1,124,022	803,030	718,076	688,260

The Group had changed its presentation currency from HKD to RMB for the presentation of its financial statements for the year ended 31 December 2022. The change of presentation currency will be applied retrospectively. The comparative figures for the years ended 31 December 2021 and 2020 have been restated in RMB.

As set out in the note 7 to the financial statements, the Sui-Yue Expressway segment owned and operated by Hunan Daoyue Expressway Industry Co., Ltd.（湖南道岳高速公路實業有限公司，"Daoyue"）was not previously classified as held-for-sale or a discontinued Sui-Yue Expressway operation. The comparative consolidated statement of profit or loss for the year ended 31 December 2021 has been re-presented to show the discontinued Sui-Yue Expressway operation separately from continuing operations. For the interests of the shareholders of the Company (the "Shareholders"), the results for the years ended 31 December 2020 are not restated in this respect.

Chairman Statement

On behalf of the board (the "Board") of directors (the "Directors") of Huayu Expressway Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024.

With the slackened economic growth and weak purchasing power in the People's Republic of China (the "PRC"), the Group experienced a substantial drop in its business for the year ended 31 December 2024. The Group recorded revenue of approximately RMB198.1 million for the year ended 31 December 2024, a decrease of about 51.3% from the previous year. Without the gain on disposal of the discontinued Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway") operation recorded in 2023 (the "Disposal"), the Group incurred a loss for the year of abut RMB13.3 million for the year ended 31 December 2024.

In June 2024, the Group received the second instalment of the consideration about the Disposal. Upon the receipt, a special interim dividend of HK$0.121 (equivalent to about RMB0.106) per share was declared.

For the year ended 31 December 2024, trading of liquor and spirits became one of the most significant business segments in the Group. However, due to the contraction of the consumer market and reduced entertainment activities in the PRC, the growth in the business of trading liquor and spirits was adversely affected during the year. In future, we will continue our effort in the brand building for Huamaojiu through our active marketing campaigns and promotions, such as wine tasting events and promotion conferences.

In relation to the investment in the Renhuai city, Guizhou, pieces of land parcels of not less than 150,000 square meters were acquired. Construction work for a winery and comprehensive operating center with wine storage and packaging, office and carpark had commenced and were expected to be completed in 2025. This investment provided the Group with an opportunity to expand its business of trading liquor and spirits to the upstream of the industry.

For the investment in Guizhou Zunpeng Winery Co., Ltd. ("Guizhou Zunpeng"), it provided a promising return to the Group as the profit for the year of Guizhou Zunpeng was about RMB131.7 million for the year ended 31 December 2024. With this strategic investment along the liquor and spirits supply chain in furtherance of the Group's liquor and spirits trading business, the Group is able to tap into the manufacturing side of the liquor and spirits supply chain.

In respect of our toll road operation, the Qing Ping Expressway provides a stable income to the Group. Located in Shenzhen, with a high growth rate in the economic activities, the expressway will be one of the major sources of cash flow to the Group in the future.

With the success in the liquor and spirits trading business, we are keeping our eyes on other prosperous business opportunities. In accordance with our business strategy and long-term business goals, we will pursue other infrastructure projects in the PRC whenever suitable opportunities arise. Furthermore, we will also consider extending our operations to include other prosperous businesses once favourable opportunities appear.

On behalf of the Board, I would like to express my deepest gratitude to our shareholders, investors, business partners and customers for their unwavering trust and support, and to our directors, management and staff for their invaluable contributions over the past years. We will continue to recalibrate our efforts to bring greater returns to all the Shareholders as the Group embraces a sustainable and prosperous future.

Chan Yeung Nam
Chairman

Hong Kong, 27 March 2025

In 2024, due to the contraction of the consumer market in the PRC, there were substantial declines in both of the revenue and the profit of the Group. For the year ended 31 December 2024, the total revenue of the Group was about RMB198.1 million and the loss for the year from the continuing operations was about RMB13.3 million.

REVENUE

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB198.1 million, decreased by about 51.3% from that of approximately RMB407.1 million for the year ended 31 December 2023.

The toll revenue received from the First Phase of Qing Ping Expressway (the "Qing Ping Expressway") was about RMB69.5 million for the year ended 31 December 2024, decreased by about 10.8% from about RMB77.9 million for the year ended 31 December 2023. The traffic flow of the Qing Ping Expressway was about 22.9 million vehicles, decreased by about 6.5% from that of about 24.5 million vehicles for the year ended 31 December 2023.

For the sales of liquor and spirits, the total revenue was about RMB128.6 million for the year ended 31 December 2024, decreased by about 60.9% from that of about RMB329.2 million for the year ended 31 December 2023. During the year, economic slowdown, sluggish property market and high youth unemployment rate dampen the discretionary spending in the PRC, especially the Chinese wine market. Huamaojiu was still the main brand of liquor sold by the Group during the year ended 31 December 2024, accounting for about 69.6% of the total revenue of the segment of business. In addition, the Group also sold other brands of liquor during the year.

COST OF SALES AND GROSS PROFIT

The Group had a gross profit of about RMB39.5 million for the year ended 31 December 2024, decreased by about 65.7% from about RMB115.0 million for the year ended 31 December 2023. The decrease in gross profit was in line with the drop in the total revenue of the Group for the year. The relevant gross profit ratio was about 19.9% for the year ended 31 December 2024, decreased by about 8.4% from about 28.3% for the year ended 31 December 2023.

For the Qing Ping Expressway, the cost of sales was about RMB66.8 million and the gross profit ratio was about 3.9% for the year ended 31 December 2024. The decrease in the gross profit ratio of the Qing Ping Expressway from about 11.2% for the year ended 31 December 2023 was mainly due to the increase in the unit amortisation charge of the intangible asset relating to service concession arrangement as a result of the change in accounting estimate about the future toll revenue.

The total cost of sales for the liquor and spirits trading business was about RMB91.8 million and its gross profit ratio was about 28.6% for the year ended 31 December 2024, decreased by about 3.7% from about 32.3% for the year ended 31 December 2023. The decrease in the gross profit ratio was mainly due to the average unit selling price adjustment amid the weak market.

OTHER REVENUE AND OTHER NET LOSS

The Group recorded other revenue of approximately RMB3.1 million and RMB4.3 million for the years ended 31 December 2024 and 2023 respectively. In addition, the other net loss for the Group was about RMB1.6 million for the year ended 31 December 2024 and about RMB4.3 million for the year ended 31 December 2023. Other revenue of the Group was mainly the rental income from the billboards along the Qing Ping Expressway and interest income from bank deposits. Other net loss mainly represented the exchange loss recorded and the change in fair value of contingent consideration receivables during the years.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2024 were approximately RMB47.2 million, decreased by about 19.8% from approximately RMB58.9 million for the year ended 31 December 2023. The decrease was mainly due to the one-off special bonus paid to some senior management staff after the completion of the disposal of Sui-Yue Expressway during the year ended 31 December 2023.

SELLING AND DISTRIBUTION COSTS

The Group recorded selling and distribution costs of about RMB10.5 million, including advertising fee and staff salary for the year ended 31 December 2024, decreased by about 31.8% from about RMB15.4 million for the year ended 31 December 2023. The amount was mainly incurred for the liquor and spirits trading business.

FINANCE COSTS

For the year ended 31 December 2024, the finance costs of the Group were about RMB5.1 million, increased by about 168.4% from approximately RMB1.9 million for the year ended 31 December 2023. The amount was mainly paid for the banking facility provided for the liquor and spirits trading business during the year.

LOSS FOR THE YEAR

For the year ended 31 December 2024, the Group recorded loss for the year of about RMB13.3 million while the profit for the year was about RMB359.3 million for the year ended 31 December 2023. The turnaround from profit to loss for the year ended 31 December 2024 was mainly attributed by the significant drop in the revenue from the liquor and spirits trading business and the one-off gain on disposal of discontinued Sui-Yue Expressway operation of about RMB320.3 million recorded during the year ended 31 December 2023.

DISCONTINUED OPERATION

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited ("NWS"), a minority shareholder which owned 40% equity interest in Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue"), a non wholly-owned subsidiary of the Group in which the Group owned 60% equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interest in Daoyue to NWS at a consideration of RMB555.7 million, subject to adjustments (the "Disposal"). The Disposal was completed on 25 April 2023. Accordingly, the Sui-Yue Expressway segment owned and operated by Daoyue was classified as discontinued operation.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2024, the Group financed its operations and capital expenditures via internal resources of the Company, bank loans and other borrowings. As at 31 December 2024, the total bank loans and other borrowings drawn by the Group amounted to approximately RMB244.6 million (2023: Nil). The total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB185.8 million (2023: approximately RMB313.7 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient cash and bank balances and standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2024, the total banking facilities of the Group with the banks and other financial institutions in the PRC amounted to about RMB550 million, which were mainly for the working capital of the trading of liquor and spirits trading business segment. The ratio of the total outstanding bank loans and other borrowings to total equity was about 0.23 as at 31 December 2024 (2023: Nil).

The Group's borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2024, the Group did not enter into any hedging arrangements to hedge against exposure in interest rate risk. Any substantial fluctuation of interest rate may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's interest rate exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

As at 31 December 2024, the intangible asset relating to service concession arrangement of about RMB49.1 million represents the right of the Group to operate the Qing Ping Expressway and receive toll fees therefrom.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in HKD. As at 31 December 2024, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against HKD may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

PLEDGE OF ASSETS

As at 31 December 2024, the secured bank loans of about RMB44.0 million were secured by the pledge of all equity interests in Shenzhen Huayu Expressway Investment Co., Ltd., a 60%-owned subsidiary of the Company. Another secured bank loans of about RMB72.5 million were secured by the Group's construction in progress. The other borrowings of about RMB105.1 million were secured by the Group's inventories.

CAPITAL COMMITMENTS

The capital commitments for the Group representing the construction of a winery and operating centre outstanding as at 31 December 2024 and not provided for in the financial statements were about RMB203.6 million (2023: about RMB331.4 million).

BUSINESS REVIEW

QING PING EXPRESSWAY

During the year ended 31 December 2024, competition from the adjacent passages, increase in the number of toll-free national holidays and the slowdown of economic growth in the PRC continued affecting the performance of the Qing Ping Expressway. The total toll revenue of the Qing Ping Expressway was about RMB69.5 million, decreased by about 10.8% from about RMB77.9 million for the year ended 31 December 2023. The average traffic flow for the year ended 31 December 2024 was about 1.9 million vehicles per month, decreased by about 5.0% from about 2.0 million vehicles per month for the year ended 31 December 2023. Average toll for the year ended 31 December 2024 was about RMB3.1 per vehicle, which is nearly the same for the year ended 31 December 2023.

TRADING OF LIQUOR AND SPIRITS

Contraction of the consumer market in the PRC seriously affected the business of the trading of liquor and spirits during the year ended 31 December 2024. The Group recorded revenue of trading of liquor and spirits of approximately RMB128.6 million, decreased by approximately 60.9% from about RMB329.2 million for the year ended 31 December 2023. Although active marketing campaigns and promotions were organised to strengthen the marketing network and the efficiency of the distribution channel, inventory was still accumulated in the distribution channel. For the year ended 31 December 2024, segment adjusted EBITDA also dropped by about 69.6% to about RMB23.4 million.

SPECIAL INTERIM DIVIDEND

Upon the receipt of the second instalment of the consideration about the Disposal in June 2024, the Group declared a special interim dividend of HK$0.121 (equivalent to approximately RMB0.106) per share of the Company (the "Share") to the Shareholders on 28 June 2024 after considering the business, financial and cashflow position of the Group. The special interim dividend was paid on 1 August 2024.

GUIZHOU RENHUAI HUAYU WINE CO., LTD. ("GUIZHOU RENHUAI")

The Group acquired additional 21% equity interest in Guizhou Renhuai in 2023 and upon completion of the acquisition, Guizhou Renhuai became an indirect 51%-owned subsidiary of the Company. Guizhou Renhuai is mainly engaged in winemaking and other related businesses. It owns three pieces of land parcels collectively covering not less than 150,000 square meters and situating in Renhuai city of Guizhou Province in the PRC. It is intended that the land parcels will be developed into a winery and a comprehensive operating center comprising wine storage and packaging, office and carpark. The construction of the above-mentioned winery and operating center commenced in 2023 and is expected to be completed in 2025.

HUAJIA WINERY (SHENZHEN) CO., LTD. ("HUAJIA")

The Group acquired 28% equity interest in Huajia in 2023 and upon the completion of the acquisition, Huajia became an associated company of the Group. Huajia is principally engaged in the investment in Guizhou Zunpeng Winery Co., Ltd. ("Guizhou Zunpeng"), which is owned as to approximately 44.94% by Huajia. Guizhou Zunpeng is principally engaged in the production and sales of base wine, which is a common raw material for production of Chinese liquor, and has commenced the initial stage of production and sales of base wine since 2020. The major customers of Guizhou Zunpeng include a leading Chinese liquor and spirits producer in the PRC. The production facilities of Guizhou Zunpeng is located in Bozhou District of Guizhou Province in the PRC with a gross floor area of about 130,000 square meters. The revenue and the profit after taxation of Guizhou Zunpeng were about RMB533.4 million and RMB131.7 million respectively for the year ended 31 December 2024.

Reference is made to the circular of the Company dated 1 November 2023 about the acquisition of 28% equity interest in Huajia. The amount of the second instalment of the consideration of RMB10.0 million is subject to the amount of distribution of profits or dividends before the completion date of the acquisition and the penalty arising from the land parcels owned by Guizhou Zenpeng, including land parcels in the aggregate area of 274,855.2 square meters with land use rights certificates having been obtained and an unused land with an aggregate area of 161,785.1 square metres (the "Unused Land").

Such land parcels in the aggregate area of 274,855.2 square meters consist of:

(i) the land parcel with an aggregate area of approximately 124,594.2 square metres, which has been built into production facilities of wine that in turn have been put into use since September 2019;

(ii) the land parcel with an aggregate area of 81,038 square metres, the construction of the storage facilities and other relevant testing laboratories of which have been primarily completed, and have been put into use since September 2024; and

(iii) the undeveloped land with an aggregate area of 69,223 square metres which, based on the latest development plan of Guizhou Zunpeng, is intended to be developed into expansion of wine production facilities and office after completion of the development of the Unused Land. No penalties have been imposed by the relevant authority due to the undeveloped land having been considered as idle for a time longer than permitted.

In respect of the Unused Land, the relevant land use right certificate was obtained in October 2024. On the other hand, it is intended that the Unused Land will be primarily developed into wine production facilities as well as an office and a cafeteria for workers. The preliminary design and the feasibility study report in respect of the development of the Unused Land have been completed and the approval procedures have commenced.

As no distribution of profits or dividends has been declared by Huajia before the completion date of the acquisition, nor that any penalty amount has been incurred, no consideration adjustment was necessary as at 31 December 2024.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2024, the Group had a total of 387 (2023: 348) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2024, the Group's total expenses on the remuneration of employees were approximately RMB37.7 million (2023: approximately RMB59.2 million). The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the MPF Scheme (for Hong Kong employees), the contribution retirement benefit scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of their performance.

The Company adopted a share option scheme on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. There was no share option outstanding under the share option scheme as at 31 December 2024 (2023: Nil).

PROSPECTS

Economic slowdown and contraction of the consumer market adversely affected the Group's business for the year ended 31 December 2024. However, growth momentum is expected to accelerate in the near future, driven by the falling interest rates and a recovery in foreign demand.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen, the traffic flow and the toll revenue are expected to grow steadily and the toll revenue is expected to become one of the major sources of steady cash inflow of the Group.

The business of trading liquor and spirits is expected to improve in the near future after the accumulated inventory in the distribution channel being digested. The Group is confident about the performance of this business segment. With the established marketing network and efficient distribution channel, the Group will continue to make effort in the brand building for Huamaojiu. More sales and marketing activities will be arranged in the future, such as wine tasting events and promotion conferences.

In order to raise the competitiveness of the Group, the Group has decided to expand its business of liquor and spirits to the upstream of the industry through investing in winery, winemaking, warehousing and logistics, packaging and operation centres through Guizhou Renhui. It will be developed into the major production and logistic base of the Group in the future. Construction was commenced and expected to be completed in 2025. The Group also intends to develop its own brand of liquor and spirits through Guizhou Renhuai.

In addition, the Group acquired 28% equity interest in Huajia, which holds 44.94% equity interest in Guizhou Zunpeng. With this strategic investment along the liquor and spirits supply chain in furtherance of the Group's liquor and spirits trading business, the Group is able to tap into the manufacturing side of the liquor and spirits supply chain.

With the experience of the Directors in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them in the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and will aim to generate a satisfactory return on investment. In accordance with this strategy, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from infrastructure projects, the Group may also consider continuing to develop and expand the liquor and spirits business including but not limited to acquisition of wine manufacturing businesses shall appropriate opportunities arise. Furthermore, the Group will also consider extending its operation to include some other prosperous businesses once favourable opportunity appears.

Corporate Governance Report

The Board is committed to maintaining good corporate governance practices and has therefore reviewed the corporate governance policies of the Company with the adoption and improvement of various procedures and documentations which are detailed below.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance. For the year ended 31 December 2024, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2024.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance and oversight of management policies. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by senior management.

The Board is also responsible for establishing the Company's purpose, values and strategy, and satisfying itself that these and the Company's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture and such cultures instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

As at 31 December 2024, the Board comprised three executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. To the best knowledge of the Directors, there is no financial, business or family relationship among the members of the Board.

Brief details of the attendance of the meetings of the Board, Board committees and general meetings of the Company held during the year ended 31 December 2024 under review were summarised as follows:

	Board *Note*	**General Meeting** *Note*	**Audit Committee** *Note*	**Remuneration Committee** *Note*	**Nomination Committee** *Note*
Executive Directors					
Chan Yeung Nam	4/4	2/2	N/A	N/A	N/A
Fu Jie Pin	4/4	2/2	N/A	1/1	1/1
Liu Bao Hua	4/4	2/2	N/A	N/A	N/A
Independent non-executive Directors					
Chu Kin Wang, Peleus	4/4	2/2	4/4	1/1	N/A
Hu Lie Ge	4/4	2/2	4/4	1/1	1/1
Lam Hon Kuen	4/4	2/2	4/4	N/A	1/1

Note: Number of meetings attended/Number of meetings held

Regular updates are provided to all Directors, giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company (the "Company Secretary") at all times and may seek independent professional advice at the Company's expense. When queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible. All Directors have the opportunity to include matters in the agenda of board meetings. Notices of at least 14 days of board meetings are given to the Directors and the Board procedures comply with the articles of association of the Company (the "Articles"), as well as relevant rules and regulations.

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and expertise relevant to the businesses of the Group. The Board has already achieved the gender diversity as there is a female executive Director, Ms. Liu Bao Hua, pursuant to the CG Code. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. The independent non-executive Directors have brought independent and external dimension as well as constructive and informed comments on the Group's strategies, policies, performance, accountability, resources, key appointments and standards of conduct, through regular attendance and active participation in the meetings of the Board and Board committees. In determining the independence of the independent non-executive Directors, the Board follows the requirements set out in the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent. Pursuant to Rule 3.10 of the Listing Rules, two of the independent non-executive Directors, Mr. Chu Kin Wang, Peleus and Mr. Lam Hon Kuen, have the appropriate professional qualification or accounting or related financial management expertise.

The Board has developed and reviewed the Company's policies and practices on corporate governance. It includes the review and monitoring of the training and continuing professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; the development, review and monitoring of the code of conduct of the Company's employees and Directors; and the review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE ROLES OF CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The division of responsibilities between the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer") is clearly defined and has been approved by the Board. The Chairman, Mr. Chan Yeung Nam, is responsible for leading the Board in the determination of the strategies of the Company and in the achievement of its objectives and ensuring the effective operation of the Board, through which the Chairman will ensure that good corporate governance practices and procedures are established and followed, and that all Directors receive all relevant information in a timely manner. The Chairman will also encourage all Directors, including the independent non-executive Directors, to actively participate in all meetings of the Board and the Board committees. He is also responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the daily business of the Group. The Chairman held one meeting with all the independent non-executive Directors without the presence of other Directors to discuss the Company's business during the year under review.

The Chief Executive Officer, Mr. Fu Jie Pin, is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for an initial term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice.

For newly appointed Directors, they have received a comprehensive, formal and tailored induction on appointment. Subsequently they have received briefing and professional development necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

In accordance with the Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice. No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuing professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors have been informed of the requirement under the CG Code regarding continuing professional development. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuing professional development for the year ended 31 December 2024:

	Training activities undertaken
Executive Directors	
Chan Yeung Nam	A
Fu Jie Pin	A
Liu Bao Hua	A
Independent non-executive Directors	
Chu Kin Wang, Peleus	A and B
Hu Lie Ge	A
Lam Hon Kuen	A and B

Notes:

A: attending briefing sessions and/or seminars

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

BOARD DIVERSITY POLICY

Pursuant to the CG Code relating to board diversity, the Board adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013. The Board Diversity Policy ensures the nomination committee of the Company (the "Nomination Committee") nominates and appoints candidates on merit basis, while having appropriate balance of skills and experience necessary to enhance the effectiveness of the Board so to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience.

NOMINATION POLICY

The nomination policy of Company aims to set out the criteria and process in the nomination and appointment of Directors, to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company, and to ensure the Board's continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s); and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

COMPANY SECRETARY

Mr. Sin Ka Man, the Company Secretary, reports to the Chairman. The details of his biographical information are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Sin has been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2024.

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Company Secretary	**Read materials**	**Attended Seminars/ Briefings**	**Read materials**	**Attended Seminars/ Briefings**
Mr. Sin Ka Man	✓	✓	✓	✓

BOARD COMMITTEES

As an integral part of good corporate governance practice, the Board established the following Board committees to oversee particular aspects of the Group's affairs. Each of these Board committees comprises mostly of independent non-executive Directors who have been invited to serve as members. These committees are governed by the respective written terms of reference approved by the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2024, the Audit Committee comprises three members, all of them are independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Hu Lie Ge and Mr. Lam Hon Kuen, Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2024, including the accounting principles and practices adopted by the Group.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor regarding the nature and scope of the audit and reporting obligations before the audit commences; to develop and implement policy on engaging an external auditor to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; to monitor integrity of the Company's financial statements, accounts, interim report and annual report; and to review significant financial reporting judgements contained therein.

During the year ended 31 December 2024, the Audit Committee held four meetings and the members reviewed the interim and annual results and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices having been adopted by the Group; assisted the Board in meeting its responsibilities for maintaining an effective system of internal control; and reviewed the internal audit ("IA") plan and the report from the IA function of the Group to ensure its effectiveness.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2024, the Remuneration Committee comprises three members, namely Mr. Hu Lie Ge, Mr. Chu Kin Wang, Peleus and Mr. Fu Jie Pin. Mr. Hu Lie Ge, an independent non-executive Director, is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors' and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of executive Directors and members of the senior management including benefits in kind, pension rights and compensation payments; to make recommendations to the Board on the remuneration of non-executive Directors; to take into account the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; to review and approve compensation payable to executive Directors and members of the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; to ensure that no Director or any of his associates is involved in deciding his own remuneration; and to review the terms and design, and oversee the implementation and administration, of all share incentive plans and performance related pay schemes or arrangements, and make recommendations to the Board as appropriate. The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, while the aggregate amount for all executive Directors shall not exceed 10% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee. No equity-based remuneration with performance-related elements was granted to the independent non-executive Directors. The Remuneration Committee, with delegated responsibility from the Board, has held one meeting to review and approve the remuneration packages of the Directors and the members of the senior management of the Group for the year ended 31 December 2024.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2024, the Nomination Committee comprises three members, namely Mr. Lam Hon Kuen, Mr. Hu Lie Ge and Mr. Fu Jie Pin. Mr. Lam Hon Kuen, an independent non-executive Director, is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; 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; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Nomination Committee is also responsible for reviewing the Board Diversity Policy annually to ensure the continued effectiveness of the Board. It will also give consideration to the Board Diversity Policy when identifying suitable qualified candidates to become members of the Board.

The Group considered the diversity of Board can be achieved through the consideration of a number of aspects during the selection process of potential Directors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge (collectively, the "Aspects"). The appointment of all Directors will be based on meritocracy, and the suitability of candidates will be evaluated against objective criteria, having due regard for the benefits of Board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the Aspects. The ultimate decision will be made after assessing the merits and contributions that the candidates will potentially bring to the Board.

The Nomination Committee has held one meeting for the year ended 31 December 2024 to nominate the members of Board for retirement and re-election at the forthcoming annual general meeting and to review the structure, size and composition of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2024 is set out below:

Remuneration bands	Number of persons
RMBNil – RMB1,000,000	2
RMB3,000,001 – RMB4,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 8 and 9 to the financial statements, respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditors' report in the section headed "Independent Auditor's Report" which acknowledges the reporting responsibilities of the Group's auditors.

AUDITORS' REMUNERATION

For the year ended 31 December 2024, the remuneration paid or payable to the Group's auditors, Crowe (HK) CPA Limited, in respect of the services provided are as follows:

	RMB'000
Annual audit and interim review services	1,551
Other professional services	2,169
Total	3,720

Note: Other services include professional services such as review of the internal control system of the Group, and professional advisory of the Environmental, Social and Governance Report of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis.

The risk management and internal control systems of the Group are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The senior management of the Company reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures taken to address such variances and identified risks. The Company has established policies and procedures applicable to all operating units to ensure the effectiveness of risk management and internal controls systems. The Company also has a process for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objective.

The day-to-day operations are entrusted to individual departments, which are accountable for their own conducts and performance, and are required to strictly adhere to the policies set by the Board. The Company carries out reviews of the effectiveness of the risk management and internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever-changing business environment.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company are promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of the accounting, internal audit and financial reporting staff, those relating to the Company's performance and reporting and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2024.

INTERNAL AUDIT

The IA function of the Group consists of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the IA plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee afterwards.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and the investors of the Company. The Board also recognises effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website at www.huayu.com.hk. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various Board committees would attend and answer questions raised at the general meeting of the Company. Separate resolutions would be proposed at the general meeting on each substantially separate issue. The Board considered the Shareholders' communication policy being effective by reviewing the policy during the year ended 31 December 2024.

VOTING BY POLL

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from the Shareholders regarding the voting procedures are answered. The results of the voting by poll would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to article 57 of the Articles, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. Further, pursuant to article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal place of meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to call the meeting shall be reimbursed to the requisitionist(s) by the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to declare and pay an interim dividend and/or to recommend a final dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Any Shareholder who wishes to put forward proposals at general meetings of the Company shall submit the relevant proposal to the Board in writing for the Board's consideration not less than seven (7) days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing Shareholders' enquiries to the Board" below.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Huayu Expressway Group Limited
Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong
Email: kenneth.sin@huayu.com.hk
Tel No.: +852 2559 1210
Fax No.: +852 2559 1026

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to respond to such enquires.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2024, the Company did not make any amendments to its constitutional documents and the latest memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.

ABOUT THIS REPORT

OVERVIEW

This is the Environmental, Social and Governance Report ("ESG Report") of the Group for the year ended 31 December 2024.

ABOUT OUR BUSINESS

The Group is principally engaged in the construction, operation and management of the Qing Ping Expressway in the PRC. The Group also engages in the trading business of liquor and spirits in collaboration with the Kweichow Moutai Group and is the sole distributor of the Huamaojiu (a famous brand liquor produced by Kweichow Moutai Group), as well as engages in winemaking and its other related businesses.

SCOPE OF THIS REPORT

This ESG Report covers the Group's expressway operation, liquor and spirits trading business and winemaking and its related businesses in the PRC. Unless otherwise stated, the reported ESG data covers the Group's Qing Ping Expressway operation (including the expressway, office and dormitories) in Shenzhen, the liquor and spirits trading offices in Shenzhen and the winemaking and its other related businesses in Renhuai. Huajia is excluded from the scope of this Report since it mainly operates through Guizhou Zunpeng and the Group holds less than 50% interest in Guizhou Zunpeng.

REPORTING REFERENCE

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code ("ESG Code") as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX"). An "HKEX ESG Content Index" mapping the disclosures to the ESG Code is provided in Appendix I of this ESG Report.

In the preparation of this ESG Report, the Group follows the four reporting principles as set out in the ESG Code:

Reporting principles	Materiality	Quantitative	Balance	Consistency
Application in this ESG Report	With the inputs from stakeholders, the Group's material ESG issues were identified and prioritised. The materiality assessment process and results are disclosed in the stakeholder engagement and materiality assessment section.	The Group discloses ESG related KPIs in quantitative terms to allow proper evaluation and validation of the effectiveness of ESG policies and actions.	This ESG Report aims to provide stakeholders with a balanced overview of the Group's ESG performance.	The Group adopts consistent methodologies for meaningful comparisons of ESG data overtime.

Environmental, Social and Governance Report

ENDORSEMENT AND APPROVAL

This ESG Report has been reviewed and approved by the Board of Directors.

OUR APPROACH TO ESG

ESG GOVERNANCE AND RISK MANAGEMENT

The Board acknowledges its responsibilities to ensure that sound and effective internal control systems are maintained to safeguard the Group's assets and the interests of the Shareholders. The Board is also responsible for overseeing, reviewing, and maintaining them to ensure they remain robust and effective.

ESG governance is integrated into our daily corporate operations and management practices. We adopt a top-down approach to review and manage ESG-related issues, including the Group's strategic objectives, performance against targets set, and the assessment of material ESG issues. Key functional departments work closely to gather quantitative and qualitative information for the preparation of the ESG Report and report ESG-related matters to the Board to ensure that they align with our development goals and targets.

For details regarding corporate governance discussions, please refer to the "Corporate Governance Report" section of this Annual Report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We believe that stakeholder engagement is integral to the sustainable development of the Group. We stay connected with our stakeholders through an array of communication channels, which helps us to collect the views of different stakeholders and identify the most material ESG issues.

We also validate from time to time the material ESG issues with our internal stakeholders, including senior management such as key departmental heads, who possess not only hands-on experience of our operations, but also understand our key investors and business partners well.

Previously, through the facilitation of a third-party consultant, we collected our management's views through surveys and interviews and identified the below material ESG issues, which we consider to be still applicable to the Group's operations. We also report our sustainability approach, performance, and initiatives to address the identified material ESG issues.

	Aspects	Relevance to business
Social	Health and safety	Occupational health and safety are crucial to all our business units, and we are committed to preventing workplace injuries and occupational disease.
	Anti-corruption	Integrity is a core value of the Group and must always be upheld by all our staff to avoid any incidents of bribery and corruption.
Environmental	Use of electricity	The major sources of our electricity consumption are from our winemaking and its other related businesses, and the lighting at our toll stations.
	Use of water	The major source of our water consumption is from our winemaking and its other related businesses.

ENVIRONMENT

EMISSIONS

The majority of the Group's air emissions originate from our winemaking and its other related businesses. For our toll road operation, most of our air pollutants originate from the vehicles using our expressway, over which we have limited control. Nevertheless, we have implemented various measures to reduce emissions from our business operations and strictly adhere to the applicable laws and regulations and are committed to mitigating the environmental impacts by managing both our own emissions and those of other road users.

Toll road operation

For toll road operations in Mainland China, the major source of air emissions is the vehicles using the expressway. The emissions from our own activities are relatively insignificant compared to the vast number of vehicles passing through the expressway. Although we have limited control over the emissions of road users, we strictly follow government directives to bar vehicles with substandard emission performance. We conduct regular inspections to prevent traffic accidents attributable to road quality issues and strive to ensure a smooth traffic flow. We respond swiftly to traffic incidents to minimise congestion and subsequent on-road emissions.

Another significant source of emissions from our toll road operation is the noise produced by traffic flow. To mitigate the impact of noise on sensitive receivers, such as schools and residential buildings along the roads, we install noise barriers at certain sections of the expressways.

Winemaking and other related businesses

We are committed to reducing carbon emissions from the construction of our winery and its factories. The Group strictly adheres to the "Three-Simultaneous" regulations for the development of our construction site, which require that environmental protection measures are implemented alongside construction projects. This approach helps us to manage pollution and minimise emissions, such as air, noise and waste, throughout the construction process.

For waste management, our winemaking operations follows the guidelines set out in its "Solid Waste Environmental Management System". For example, the individuals responsible for solid waste management ensure that they oversee the classification, collection, and storage of solid waste generated during regular production shifts. This systematic approach helps us maintain responsible waste practices and minimise our environmental impact.

Offices and staff dormitories

In our toll road offices and staff dormitories, the major types of emissions and waste include domestic wastewater, general waste, and a minimal amount of hazardous waste. The same applies to our liquor and spirits trading offices, where we engage only in office activities and outsource logistics and warehousing activities to third-party service providers.

We manage general waste at our offices and dormitories by adopting the “3R” principles of “Reduce, Reuse, and Recycle”. General wastes are collected centrally and handled by the local sanitation department to ensure proper disposal. Non-confidential documents, books, cartons, plastic bottles, and food waste are separated from other wastes for recycling. Our operations generate minimal hazardous waste, primarily from used batteries, printer cartridges, and waste oils. To comply with relevant local laws and regulations, we engage qualified third parties to collect and dispose of hazardous waste. As for some of the empty cartridges, we refill them with toner for reuse.

Greenhouse gas emissions

Fuel use and purchased electricity are the two primary sources of carbon emissions for the Group. Our major fuel consumption includes diesel and gasoline used for our vehicles, as well as natural gas and liquefied petroleum gas (“LPG”) used at our canteens and winery. Various energy conservation measures that we have implemented are described in the section below headed “Use of Resources”. The increase in our environmental emissions in 2024 compared to 2023 was mainly due to the inclusion of the full year data from our winemaking operation and its other related businesses, especially attributed to its construction site and production factory.

Summary of environmental emissions in 2024

The details of our environmental emissions in 2024 are as follows:

	Unit	2023	**2024[1]**
General wastes	tonnes	72	**77**
Greenhouse gas emission (Scope 1)[2]	tonnes CO_2e	236	**1,103**
Greenhouse gas emission (Scope 2)[2]	tonnes CO_2e	807	**956**
Greenhouse gas (Scope 1 and 2) intensity	tonnes CO_2e/employee	3	**5**

1 *The increase in Scope 1 and 2 emissions in 2024 compared to 2023 was mainly attributed to the inclusion of the full year environmental data from Guizhou Renhuai, as the Group's 2023 ESG Report environmental data from Guizhou Renhuai only covered the period from September to December 2023.*

2 *Emission factors are referenced from the Appendix 2: Reporting Guidance on Environmental KPIs of HKEX's publication How to prepare an ESG Report.*

Regulatory compliance

During the reporting period, we are not aware of any case of non-compliance with laws and regulations relating to environmental emissions that have a significant impact on the Group.

USE OF RESOURCES

Toll road operation

The major energy consumption in our toll road operations occurs at the toll stations. To reduce energy usage, we are using LED lights for all high-mast lighting, which are significantly more energy-efficient than traditional options. During the year, we have replaced 164 old lamps with LED lamps and replaced energy-intensive kitchen equipment with energy-efficient alternatives in our toll road operation, further contributing to our energy efficiency initiatives.

Winemaking and other related businesses

We have implemented various initiatives to enhance environmental preservation and energy efficiency throughout our winemaking operations. The roads, pavements, and landscaping facilities in our San Seng winery are constructed with permeable materials that allow water to drain back into the soil. Additionally, the surrounding green spaces have incorporated grassed swale systems and rainwater retention ponds to maximise rainwater collection for purposes such as irrigation and soil conservation. We are also actively promoting the concept of electric brewing and utilising electric boilers to enhance energy efficiency and lower the environmental impact of our winemaking operations.

Offices and staff's dormitories

Given the nature of our business operations, our offices generate a relatively small environmental footprint. Our energy and water usage primarily support the daily operations and the basic living needs of employees residing in the dormitories.

The Group is committed to staying informed about energy-saving technologies and practices as part of our effort to minimise environmental impact.

We have adopted several green practices and have encouraged our employees to conserve energy and water in the office environment. Initiatives carried out in offices and dormitories over the past year included:

– Turning off idle lights and electronic equipment to reduce energy waste;

– Implementing duplex printing and promoting the reuse of single-sided paper;

– Encouraging electronic communication to lessen paper use;

– Gradually installing energy-saving devices, such as water-efficient fixtures;

– Setting up recycling stations in offices to sort and collect recyclable materials;

– Utilising solar water heating systems in the dormitories; and

– Updating kitchen appliances to more energy-efficient alternatives and modernising natural gas pipelines in our canteens.

Summary of resources consumption in 2024

The details of our resources consumption in 2024 are as follows:

	Unit	2023	**2024**
Total energy consumption[3]	kWh	2,393,687	**6,970,537**[4]
Total energy consumption intensity	kWh/employee	6,878	**17,873**
– Electricity	kWh	1,414,677	**1,781,317**
– Gasoline	litre	40,421	**47,210**
– Diesel	litre	19,961	**23,569**
– LPG	kg	29,004	**30,803**
– Natural gas	m^3	347	**477,044**
Water[5]	m^3	25,604	**96,012**
Water intensity	m^3/employee	74	**246**

THE ENVIRONMENT AND NATURAL RESOURCES

The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in the above sections.

CLIMATE CHANGE

The Group recognises the importance of addressing the risks posed by climate change and responding to the potential climate-related impacts across our business operations.

Our toll road operations are exposed to both physical and transition risks caused by climate change. Acute physical risks, such as severe flooding, may damage our facilities, and failing to adapt to the transition to a low-carbon operation may adversely impact the Group's business cost and potentially our reputation. Extreme weather would also have a negative impact on our liquor and spirits trading business and the winemaking and its other related businesses. For example, it may damage the inventories in third-party warehouses.

3 *Energy conversion factors are sourced from the China Energy Statistical Yearbook 2023 and the United Kingdom Department for Energy Security and Net Zero conversion factors 2024.*

4 *The increase in the total energy consumption in 2024 compared to 2023 was mainly attributed to the natural gas consumption in the production factory of our winemaking operation.*

5 *The increase in water consumption in 2024 compared to 2023 was mainly attributed to our winemaking operation.*

In response to the associated risks posed by climate change, we have adopted various practices to mitigate climate change issues in our business operations including:

- Formulating emergency and implementation plan for flood control to reduce and prevent the detrimental effects of floodwaters on our operations; and

- Replacing existing lighting and company vehicles which are more energy efficient, hence reducing our carbon emissions and potential carbon costs.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group embraces a people-oriented approach and has established a series of employment policies and standards to uphold our employees' legitimate rights and interests. We strictly comply with laws and regulations, including the "Labour Law of the People's Republic of China," "Labour Contract Law of the People's Republic of China," and "Social Insurance Law of the People's Republic of China," among others, in managing our talent. We strive to foster a corporate culture that promotes mutual trust, respect, and teamwork. Additionally, we are committed to providing a rewarding and pleasant work environment for all employees.

Regarding employees' remuneration, recruitment, and dismissal, we strictly adhere to local labour laws, including the "Employment Ordinance (Cap.57)" in Hong Kong and the "Labour Contract Law of the People's Republic of China." We have established policies for employee recruitment, dismissal, appraisal, remuneration, and other benefits across different business units. For example, we have implemented policies such as "Management Measures for Employee Recruitment" and "Wage and Welfare Regulations" for our expressway operations, as well as "Management Measures for Employee Induction and Probation "for our winemaking and its other related businesses. Our liquor and spirits trading business maintains a salary and performance appraisal management policy, offering competitive compensation packages to employees who contribute to the business's growth.

We explain all relevant policies and guidance materials to new joiners to provide them with a comprehensive understanding of the Group's human resources management system and ensure they are informed about their rights and responsibilities.

To safeguard our employees' welfare and promote a healthy work-life balance, the Group regularly organises team-building events and activities, such as hiking, picnic and a Sports Day. During the holiday season, we distributed New Year's food to our employees. Additionally, our dormitories offer recreational facilities, including a basketball court and snooker tables, for leisure time enjoyment. We are committed to maintaining our staff's physical and mental health and promoting a balanced work-life environment.

Labour practices

The Group abides by relevant labour laws and regulations to strictly prohibit forced and child labour employment. During the recruitment process, applicants' identification documents are verified to prevent the hiring of underaged labour. We also respect the freedom of expression of our staff and encourage them to discuss any concerns they have with their supervisors or the labour union. To encourage employees to report any suspected misconduct, we have set up a "General Manager mailbox" in the offices where staff can voice their concerns to higher-level management.

Staff composition

As of 31 December 2024, the Group has a total of 387 full-time employees and 3 part-time employees. 376 of them are located in Mainland China, and 14 of them are in Hong Kong. The breakdown of employees by gender and age group is as follows:

Category[6]		**Number of staff**	**Turnover rate**
Total		390	13.1%
By gender	Male	227	7.9%
	Female	163	20.2%
By age group	Below 30	173	22.5%
	30 – 50	187	5.9%
	Above 50	30	3.3%

Regulatory compliance

During the reporting period, we are not aware of any case of non-compliance with laws and regulations related to employment and the employment of child or forced labour that has a significant impact on the Group.

HEALTH AND SAFETY

The Group places high importance on the health and safety of our employees, and we are devoted to providing good working conditions and a safe work environment for our employees to avoid occupational hazards. We strictly abide by relevant health and safety regulations, such as the provisions of the "Production Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases".

6 *The number of staff and turnover rate include employees in Hong Kong.*

We recognise that a significant portion of safety risks arise within our expressway operations, where employees are stationed on busy highways. To safeguard the well-being of both our employees and road users, we have developed and implemented comprehensive policies such as the "Safety Management System for Highway Maintenance Operations" and "Guidelines for Safety Prevention and Rescue at the Accident Site". Moreover, we have formed a dedicated committee, led by our management team, to monitor and improve the health and safety standards of our workforce and operational activities. During the reporting period, we conducted training sessions designed to enhance our employees' ability to anticipate and identify large vehicles, helping to prevent these vehicles from mistakenly entering the regular traffic lanes. We have also provided specialised training to bolster personal safety measures for employees at toll stations, especially in response to unusual or emergency situations.

To increase health and safety awareness among our staff, we provide different safety training to employees depending on their roles to minimise the risks of hidden workplace hazards at least once a month. Before performing their duties, all new employees must receive a "Three Degree Safety Education" safety training. Special positions such as drivers, electricians, security personnel, and cooks shall receive professional training tailored to their duties. We also provide personal protection equipment such as reflective vests to employees, as well as a biannual health check and medical insurance to ensure timely diagnosis and treatment of occupational health issues.

Our winemaking operations have established several health and safety policies to demonstrate our commitment to creating a safe and supportive work environment. For instance, the "Wine Cellar Safety Responsibilities" highlights the importance of understanding the hazards associated with alcoholic beverages. It requires strict compliance with safety protocols, including the use of personal protective equipment and regular inspections of equipment to reduce risks.

We conduct frequent and ad hoc safety inspections to reduce safety risks in our operations. The safety inspection addresses topics such as potential safety hazards, proper implementation of safety precaution procedures, equipment conditions, etc. For any potential safety issue identified, we formulate corrective measures and appoint the employee responsible for the matter to ensure preventive actions are implemented on time. We also carry out safety production meetings every quarter to analyse and resolve any identified hidden occupational hazards in our operation.

Occupational Health and Safety Statistics in 2024

Work-related fatality from 2022 to 2024: 0
Work-related injuries in 2024: 1
Lost days due to work-related injuries in 2024: 2

Regulatory compliance

During the reporting period, we are not aware of any instance of non-compliance with laws and regulations regarding occupational health and safety that has a significant impact on the Group.

DEVELOPMENT AND TRAINING

Here at Huayu, we believe that talents are the foundation of our sustainable development and that a well-trained team is the key to boosting the overall performance of the Group. As a result, we have developed separate employee training policies tailored to different business operations to encourage our employees to develop and advance their careers in the Group.

For our expressway operations, we offer a variety of training opportunities, including topics like etiquette, business-related processes, management skills, and professional skills for our employees to attend voluntarily. To help new joiners settle down, we provide them with training on our corporate culture, rules and regulations, and the business process of their roles.

Besides, we encourage our expressway employees to attend external training in addition to internal training to strengthen their job performance. Employees who successfully apply may be eligible for training cost reimbursement. We encourage our staff to improve their qualifications and offer incentives to those who do so. Depending on the length of service, the maximum rebate amount can range from RMB2,000 to RMB50,000.

For employees in the liquor trading business, we have established a specialised "Employee Training Management System" to provide guidance to their training process. Under the system, the Human Resources department of the liquor trading segment formulates training plans based on the input of different departments. Our winemaking operations also prioritise employee development, aiming to equip staff with the qualifications and skills necessary for their roles. During the reporting period, four employees completed training in liquor analysis and testing and received a full rebate upon completion.

Training statistics for 2024

Category		Percentage of employees receiving training	Average training hours
By gender	Male	97%	7.0
	Female	99%	9.8
By employment category	Management	97%	6.7
	Non-management	98%	8.5

SUPPLY CHAIN MANAGEMENT

Expressway operation

The Group recognises that supply chain management is an integral part of corporate social responsibility and places high importance on the potential risks along the supply chain. In general, we evaluate our suppliers' capability, price, quality, qualification, and ESG performance. For large-scale procurement practices, the Group adopts a sophisticated set of tendering and is required to enlist at least three competent suppliers for comparison before placing orders.

To preserve the quality of our suppliers, we evaluate their performance either annually or at the end of their contracts, and only those suppliers who meet our requirements are qualified to continue doing businesses with the Group.

We also consider ESG factors in our procurement process. We prioritise green products where practicable and consider suppliers' environmental and social impacts when procuring from them.

Liquor and spirits trading

As the sole distributor of Huamaojiu, we rely on our upstream suppliers to support our operations, particularly in terms of providing liquor and packaging materials. Our upstream suppliers deliver liquor products directly to downstream distributors for further distribution and retail. We are committed to working with suppliers who have a proven track record in sustainability. We have established the "Supply Department Standardised Management Manual" to guide our collaboration with upstream suppliers and the "Market Management Manual" for our collaboration with downstream distributors.

The "Supply Department Standardised Management Manual" defines the roles and responsibilities of the Supply Department and guides the entire procurement process. All new suppliers have to undergo a comprehensive assessment to ensure that they comply with relevant national standards, regulations, and our requirements before collaboration. Approved suppliers will be included in our list of qualified suppliers. Regular monitoring is carried out to evaluate our suppliers' performance, and suppliers with unsatisfactory performance will be disqualified.

For downstream distributors and sales channels, our collaboration with them is managed by the "Market Management Manual". Distributors and sales channels are prohibited from selling Huamaojiu in places not specified in our contract with them and shall price the products by our mutual agreement. Based on the number of violations, distributors may be subjected to disciplinary actions such as repurchase of products at distributors' cost, deduction of deposit and annual rebates, or even cancellation of their distributor status.

Winemaking and other related businesses

For our winemaking operations, we have implemented a "Material Procurement Management System" to ensure its employees adheres to effective assessment procedures when choosing suppliers. This approach will help us establish a high-quality supplier network and improve our overall supplier management.

As at 31 December 2024, the Group has a total of 27 suppliers, all of which are in the PRC.

PRODUCT RESPONSIBILITY

Based on the nature of our business, the Group's focus is on responsible marketing, service and maintenance. We strive to deliver the best quality products and services to our valued customers. For liquor trading, since we are the distributor of Maotai Group's Huamaojiu, we are not involved in the manufacturing or retail process. We mainly follow the requirements of Maotai Group on product quality and recall procedures. For expressway operation where we have more control, we seek to provide high-quality road services with the following two goals in mind:

- Maintaining a safe and efficient expressway; and
- Maintaining high service quality.

In our winemaking operations, we are involved in the manufacturing process and have implemented various policies, such as the "Koji-making Workshop Management System" and "Warehouse Operation Safety Procedures". These measures help us maintain quality control and promote a culture of safety and accountability in our production. After the base liquor is produced, our quality inspection centre conducts tests in accordance with national standards to ensure the quality of our production.

Maintaining a safe and efficient expressway

The Group recognises the importance of our business and therefore takes the utmost care in the maintenance of our roads to ensure that they are as safe as possible. Our road construction department handles the overall management of the expressway, following the relevant road safety laws and regulations. Other daily operational tasks handled by the department include hardware maintenance, emergency planning, and coordination with government departments on special road arrangements.

We have policies in place to regularly conduct routine inspections of the expressway to ensure road safety. Through our frequent inspections, we seek to detect any structural damage to the road and its hardware promptly, for example, cracks on the road surface and worn-out road surface markings, and immediately repair the damages with the assistance of our outsourced maintenance team.

We have also established an emergency management mechanism for the expressway that addresses emergency and contingency solutions to various situations, including peak hours during festivals and holidays, traffic accidents, construction, and extreme weather conditions. We also conduct emergency drills at least once a year in collaboration with the local government and service area operators to ensure a rapid and appropriate response to emergencies. We aspire to constantly improve our services to be faster, better, and more appropriate to ensure the quality of road use.

Maintaining high service quality

In terms of service quality, we have implemented a number of initiatives to ensure high service quality at our toll stations. To begin with, we require all new toll collectors to attend a one-week training on interacting with road users politely. For existing employees, we provide similar training on their etiquette as a toll collector every two years, and low performers will be required to attend additional training. To motivate our staff, road user surveys are conducted to monitor the performance of toll collectors, and the high performers will be rewarded with monetary prizes.

We also put great effort into improving the efficiency of the toll collection process. In addition to providing training on the toll collection process to our employees, we also seek innovative means to speed up the payment process. Currently, e-payment options such as WeChat Pay and Alipay are available at our toll stations to offer road users faster and more convenient payment methods.

Intellectual property protection and customer privacy

The Group strictly complies with the relevant intellectual property laws in which it operates to safeguard intellectual properties. For our liquor and spirits trading business, we strictly follow the intellectual property application procedures formulated by the Kweichow Moutai Group on designs, labels, and trademarks of their liquor products. To protect intellectual property, we legally signed contracts with suppliers for the commercial usage of fonts. Furthermore, we only use software with legal licenses in our daily operations.

We place high importance on our customer information privacy and strictly comply with relevant national laws and regulations, including the “Personal Information Protection Law of the People’s Republic of China”. Only authorised personnel can access customer information, and sensitive customer information is not allowed to be taken out of offices.

Regulatory compliance

During the reporting period, we are not aware of any case of non-compliance with laws and regulations regarding product responsibility that has a significant impact on the Group.

ANTI-CORRUPTION

Throughout our operations, the Group strives to establish and maintain high standards of openness, integrity and accountability. We attached great importance to anti-corruption and strictly adhered to jurisdictional laws such as the “Prevention of Bribery Ordinance” of Hong Kong and the “Criminal Law of the People’s Republic of China”.

We ensure that all our employees are aware of our zero-tolerance towards bribery, extortion, fraud, or money laundering, whether in dealing with public officials or individuals in the private sector. Any staff of the Group is not permitted to demand or accept any form of bribery, including money, gifts, rewards, services, or privileges, in connection with their duties. We have formulated a strict punitive measure, and the corresponding punishment shall be given according to the severity of the conflict of interest. In addition, anti-corruption training is provided to management and general staff to raise staff awareness towards anti-corruption topics and foster a culture of integrity.

In our liquor and spirits training business, we have an "Expense Management Regulation" to govern expense claims and encourage employees to report any misconduct in handling marketing expenses to the General Manager, and validated reports will be awarded 5 – 10 marks in the monthly performance appraisal. Simultaneously, we emphasise commercial anti-corruption matters in internal meetings, reminding suppliers not to offer commercial bribes when signing the Contract. As for our expressway operation, we have also formulated the "Procedures for Toll Operations" to monitor the toll collection process and prevent any dishonest acts of collecting extra money or other forms of corruption. We have also installed surveillance cameras at our toll houses. For our winemaking operations, we have established an "Expense Management Regulations" to clearly outline allowable expense and ensure fair reimbursement practices.

Regulatory compliance

During the reporting period, there is no concluded legal case regarding corrupt practices brought against the issuer or its employees, and we are not aware of any non-compliance with laws and regulations regarding anti-corruption that has a significant impact on the Group.

COMMUNITY INVESTMENT

As the Group grows steadily, it remains mindful of its corporate social responsibility and is committed to giving back to society. We take pride in providing safe, time-saving, economical, and comfortable expressway transportation services to road users. Through the operation and maintenance of the expressway, we set up linkages between the local residences to other parts of the country, creating significant positive influences on regional economic development.

During the reporting period, our liquor and spirits trading business demonstrated its commitment to social and community betterment through various initiatives. A notable example was the organisation of a charitable evening, wherein a portion of every liquor sold was donated to the Bama Education Foundation[7]. We have also made monetary donations to the Education Bureau of Bama county, in the hope of supporting education opportunities and enhancing the overall quality of education in the region.

7 *English for translation purposes only.*

APPENDIX I: HKEX ESG CODE CONTENT INDEX

	Aspects	Pages	Remarks
A	**Environmental**		
A1	**Emissions**	25-27	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
A1.1	The types of emissions and respective emissions data.	26	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	26	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Due to our business nature, no significant amount of hazardous waste was generated.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	26	
A1.5	Description of emission target(s) set and steps taken to achieve them.	25-27	We do not have a quantitative emission target and will consider setting one in the future.
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	25-27	We do not consider waste to be a material issue, and have not set a target for waste reduction.

	Aspects	Pages	Remarks
A2	**Use of Resources**	27-28	
	Policies on the efficient use of resources, including energy, water and other raw materials.		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	28	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	28	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	27-28	We are reviewing our operations and environmental performance in considering target setting on energy consumption.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	27-28	The Group uses municipal water and does not anticipate any issue in the sourcing water that is fit for purpose. We are reviewing our operations and environmental performance in considering target setting on water consumption.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The Group does not use packaging materials in its toll road operations, and the use of packaging material in the liquor and spirits products is not controlled by the Group. Our winemaking operations have also yet to commence the packaging of the finished product.
A3	**The Environment and Natural Resources**	28	
	Policies on minimising the issuer's significant impacts on the environment and natural resources.		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	28	
A4	**Climate Change**	28-29	
	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		

	Aspects	Pages	Remarks
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	28-29	
B	**Social**		
Employment and Labour Practices			
B1	**Employment** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	29-30	
B1.1	Total workforce by gender, employment type, age group and geographical region.	30	
B1.2	Employee turnover rate by gender, age group, and geographical region.	30	
B2	**Health and Safety** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	30-31	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	31	
B2.2	Lost days due to work injury.	31	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	30-31	

	Aspects	Pages	Remarks
B3	**Development and Training**	32	
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	32	
B3.2	The average training hours completed per employee by gender and employee category.	32	
B4	**Labour Standard**	29-30	
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
B4.1	Description of measures to review employment practices to avoid child and forced labour.	30	
B4.2	Description of steps taken to eliminate such practices when discovered.	30	
Operating Practices			
B5	**Supply Chain Management**	33	
	Policies on managing environmental and social risks of the supply chain.		
B5.1	Number of suppliers by geographical region.	33	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	33	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	33	

	Aspects	Pages	Remarks
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	33	
B6	**Product Responsibility** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	34-35	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	Not applicable to the Group's expressway business. For our liquor and spirits trading business, any product recalled will be handled by the producer directly and we do not have relevant data. For our winemaking operations, it has yet to generate any sales.
B6.2	Number of products and service-related complaints received and how they are dealt with.	–	The Group is currently assessing the feasibility of collecting and disclosing such information.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	35	
B6.4	Description of quality assurance process and recall procedures.	34	Not applicable to the Group's expressway business. For our liquor and spirits trading business, the producer has its own quality assurance process and handles the recalled product directly, if any.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	35	

	Aspects	Pages	Remarks
B7	**Anti-corruption**	35-36	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	35-36	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	35-36	
B7.3	Description of anti-corruption training provided to directors and staff.	35-36	
Community			
B8	**Community Investment**	36	
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	36	
B8.2	Resources contributed (e.g. money or time) to the focus area.	36	

As at the date of this annual report, the Board consisted of six Directors, including three executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam（陳陽南）, aged 69, is an executive Director and the Chairman. Mr. Chan is the founder of the Group and was appointed as an executive Director in April 2009. He is responsible for the overall management, development and planning of the Group. He is also responsible for assessing and analysing investment opportunities involving other infrastructure projects when they arise. Mr. Chan graduated from Sun Yat-Sen University. He has more than 27 years of experience in the development, operation and management of highways.

Mr. Fu Jie Pin（符捷頻）, aged 57, is an executive Director and the Chief Executive Officer. He joined the Company as an executive Director in May 2009. Mr. Fu is responsible for project investment analysis, commercial negotiation and coordination and investment capital operation. Mr. Fu graduated from Sun Yat-Sen University with a bachelor degree in electronics and information system in 1989. He has over 26 years of experience in development, operation and management of highways in the PRC.

Ms. Liu Bao Hua（劉寶華）, aged 49, is an executive Director. She joined the Company in April 2022. She is responsible for the negotiation and communication with the relevant government bodies in the PRC. She graduated from the Open University of Shaanxi*（陝西開放大學）with a bachelor degree in computers and financial management in July 1997. She also obtained a master degree of business administration from the City University of Hong Kong in October 2018. Ms. Liu has over 22 years of experience in finance and project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus（朱健宏）aged 60, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in business administration from University of Hong Kong. Mr. Chu is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. Chu is a director of Tianli Holdings Group Limited (formerly named as EYANG Holdings (Group) Co., Limited), Mingfa Group (International) Company Limited, Momentum Financial Holdings Limited and China First Capital Group Limited, all of which are companies listed on the Main Board of the Stock Exchange. He is also a director of Madison Holdings Group Limited and Hyfusin Group Holdings Limited, all of which are companies listed on GEM of the Stock Exchange.

Mr. Hu Lie Ge（胡列格）aged 71, joined the Company as an independent non-executive Director in May 2009. He graduated from Changsha Communications Institute*（長沙交通學院）in Mathematical Mechanics and completed a graduate course in Probability Theory and Mathematics Statistics at Changsha Railway University*（長沙鐵道學院）, currently part of Central South University*（中南大學）. Mr. Hu was previously the Head of College of Transportation and Communications*（交通運輸學院）in Changsha University of Science and Technology*（長沙理工大學）and is now a member of Hunan Province Committee of Facilitation of the Development of the Logistics Industry*（湖南省促進物流業發展專家委員會）.

Mr. Lam Hon Kuen (林漢權) aged 58, joined the Company as an independent non-executive Director in April 2023. He graduated from University of Hong Kong with a bachelor degree in social sciences with Honors in July 1989. Mr. Lam is an associate member of The Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a fellow member of the Association of Chartered Certified Accountants. He has over 35 years of professional experience in auditing, accounting and financial management for both private and listed corporations.

COMPANY SECRETARY

Mr. Sin Ka Man (冼家敏) aged 57, was appointed as the Company Secretary on 3 July 2009. Mr. Sin has over 32 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained a bachelor degree in Social Sciences from University of Hong Kong in December 1989, a master degree in Finance from University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

* *The English translation is for reference only. The official name of the university, college, institution or organisation is in Chinese.*

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2024.

BUSINESS REVIEW

GENERAL

For the review of the business of the Group, please refer to the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. This discussion forms part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risks outlined below. Further, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Changes to the provincial government's transportation-related policies

The Group's operations are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, changes to transportation networks, traffic regulation, licensing and toll regime, etc. Such changes may have an adverse effect on the revenue or results of operations of the Group. The Directors will monitor the applicable and relevant government policies closely and will take immediate and appropriate actions in response to any changes in the policies with a view to minimise its impact on the infrastructure projects and the Group.

Revenue is heavily dependent on traffic volume and may be affected by competing roads and bridges and other modes of transportation

Revenue to be generated from collection of toll is heavily dependent on traffic volume. Traffic volume is directly and indirectly affected by a number of factors, including the road's connectivity with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network will not adversely affect the traffic volume on the expressways. There is also no assurance that other road or mode of transportation will not be constructed or introduced in future which may prove to be better alternatives to the Group's existing expressway projects. In such case, the Group's business and operating results may be materially and adversely affected.

Notwithstanding the above, the Directors believe that the rising trend of the economic growth in PRC will be sustained in the foreseeable future. With this growth, the Directors expect that the revenue for toll road project will continue to increase in the coming years.

Risks pertaining to the relationship with the major supplier

Most of the Group's liquor and spirits trading business relies on the sole distributorship of Huamaojiu granted by the major supplier, Kweichow Moutai Group. The sole distributorship agreement has been reviewed annually. The failure in negotiation of the agreement may cause a substantial effect to the Group's liquor and spirits trading business. The Directors will monitor the relationship with Kweichow Moutai Group closely to ensure the successful negotiation in the sole distributorship agreement.

Risks pertaining to the distributorship model

The Group's liquor and spirits trading business relies primarily on a number of third-party distributors for sales of the Group's products. Each distributor has exclusive distribution rights over a certain geographical area, the failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorised retailers in such area. The Directors will regularly review the performance of each distributor and take appropriate actions to minimise the effect of the failure of performance by the distributors.

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business may be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and manufacture, sales and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, severe acute respiratory syndromes (SARS), avian influenza, swine flu (H1N1), novel coronavirus (COVID-19) and other diseases, may affect the livelihood of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC may severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products and services, affect the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Past performance and forward looking statements

The performance and the results of operations of the Group as set out in this annual report are historical in nature and past performance is not a guarantee for future performance of the same. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

FINANCIAL RESOURCES

As at 31 December 2024, the total amount of outstanding bank loans and other borrowings was RMB244.6 million. Please refer to the section headed "Management Discussion and Analysis – Liquidity and financial resources" on page 7 of this annual report.

POST YEAR END EVENTS

Since 31 December 2024, being the end of the financial year under review, no important event has occurred which materially affects the Group.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on pages 5 to 11 of this annual report. This discussion forms part of this Report of the Directors.

ENVIRONMENT PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

During the year ended 31 December 2024 and to the best of the Directors' knowledge, the Group had obtained the required permits and environmental approvals for its business, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the section headed "Environmental, Social and Governance Report" to this annual report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to keep abreast with the requirement of the relevant laws and regulations of various countries, particularly the PRC and Hong Kong, applicable to it to ensure compliance. Majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from business operations in the PRC. During the year under review, the Group complied in all material respects with the relevant laws and regulations in various countries and areas applicable to it.

ACCOUNT OF THE GROUP'S KEY RELATIONSHIPS

Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel has been part of the management team since the inception of business. During the year under review, the Group considered that it has maintained a good relationship with its employees and the employee turnover rate was acceptable.

Suppliers

The Group's suppliers include the major supplier for Huamaojiu, Kweichow Moutai Group and contract manufacturers for other liquors and spirits products. All these suppliers have a close and long term relationship with the Group's management. During the year under review, the Group considered the relationship with its suppliers was well and stable.

Distributors

The Group adopted the distributorship model for its products in the PRC. Under this model, the Group primarily sells products to distributors in the PRC under distributorship agreements, which are reviewed yearly. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC. The Group maintains very good relationship with all the distributors.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated and domiciled in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 13 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

EXPRESSWAYS

For the year ended 31 December 2024, the Group has no major customer information to disclose as the expressways are open to public. No further disclosure with regard to the Group's suppliers is made since there is normally no major purchase in its ordinary course of business.

LIQUOR AND SPIRITS TRADING BUSINESS

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group's liquor and spirits trading business respectively for the year ended 31 December 2024 is as follows:

	Percentage of the segment's total	
	Sales	**Purchases**
The largest customer	41.07%	
Five largest customers in aggregate	65.19%	
The largest supplier		80.62%
Five largest suppliers in aggregate		97.49%

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

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2024 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 63 to 148.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company (the "Shares").

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2024 are set out in note 25 to the financial statements.

Loss attributable to Shareholders, in the amount of RMB8,514,000 (2023: Profit attributable to Shareholders: RMB329,432,000) has been transferred to the reserves. Other movements in reserves are set out in consolidated statement of changes in equity.

For the year ended 31 December 2024, a special interim dividend of HK$0.121 (equivalent to RMB0.106) per share (2023: HK$0.121) was declared and paid on 1 August 2024.

CHARITABLE DONATIONS

No charitable donations were made by the Group during the year ended 31 December 2024.

FIXED ASSETS

Details of the movements in fixed assets during the year ended 31 December 2024 are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in note 25 to the financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries from the listing date to 31 December 2024.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam
Mr. Fu Jie Pin
Ms. Liu Bao Hua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus
Mr. Hu Lie Ge
Mr. Lam Hon Kuen

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

By virtue of articles 84 and 85 of the Articles, Mr. Chan Yeung Nam and Mr. Lam Hon Kuen will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice.

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

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Name of Director	Nature of interest	Number of shares (ordinary shares)	Long position in the number of share options	Total	Percentage
Chan Yeung Nam *(Note)*	Interest in controlled corporation	300,000,000 (L)	–	300,000,000	72.71%

Note: Mr. Chan Yeung Nam, an executive Director and the Chairman, is deemed to be interested in 300,000,000 Shares held by Velocity International Limited by virtue of it being controlled by him.

On 29 May 2023, Velocity International Limited had pledged 300,000,000 Shares to Integrated Capital (Asia) Limited (which is wholly owned by Mr. Yam Tak Cheung) as security for a term loan facility provided to Velocity International Limited.

Apart from the forgoing, as at 31 December 2024, none of the Directors or chief executive of the Company or any of their spouses or children under 18 years of age had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable any Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short position in the shares or underlying shares in, or debentures of, the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 11 June 2020, being the date on which the resolution passed in the general meeting, i.e. 41,260,800 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

The total number of Shares available for issue under the Share Option Scheme is 41,260,800, representing approximately 10% of the Company's issued share capital as at the date of this annual report.

For the year ended 31 December 2024, no options have been granted by the Company under the Share Option Scheme.

Apart from the forgoing, at no time during the year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2024, so far as it is known to any Director or chief executive of the Company, the persons (other than the Director and the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Shareholders	Capacity/Nature of Interest	Long position in ordinary shares held	Percentage of total issued Shares
Velocity International Limited *(Note)*	Beneficial owner	300,000,000	72.71%
Integrated Capital (Asia) Limited *(Note)*	Person having security interest in shares	300,000,000	72.71%
Yam Tak Cheung *(Note)*	Interest in controlled corporation	300,000,000	72.71%

Note: *The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and the Chairman. On 29 May 2023, Velocity International Limited had pledged 300,000,000 Shares to Integrated Capital (Asia) Limited (which is wholly owned by Mr. Yam Tak Cheung) as security for a term loan facility provided to Velocity International Limited.*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's entire issued share capital as required under the Listing Rules for the year ended 31 December 2024.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which the Director or an entity connected with such Director had a material interest, directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2024.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in note 22 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the subsidiaries in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their payroll to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to retirement schemes charged to the income statement during the year ended 31 December 2024 amounted to RMB3,345,000 (2023: RMB3,316,000).

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE CODE

The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2024, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules. Upon enquiry by the Company, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2024.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company and the external auditor the accounting principles and practices adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2024.

AUDITORS

KPMG was removed as auditors of the Company with effect from 16 January 2024 by way of an ordinary resolution passed and approved by the Shareholders. Following the removal of KPMG, Crowe (HK) CPA Limited, was appointed as the auditors of the Company with effect from 16 January 2024, to hold office until the conclusion of the next annual general meeting of the Company.

Crowe (HK) CPA Limited will retire and being eligible, offer themselves for reappointment. A resolution for the reappointment of Crowe (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Save as disclosed above, there was no other change in the auditors of the Company in the preceding three years.

By order of the board

Chan Yeung Nam
Chairman

Hong Kong, 27 March 2025

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Independent auditor's report to the shareholders of
Huayu Expressway Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huayu Expressway Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 63 to 148, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as 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") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition: sales of liquor and spirits under distributor arrangement

Refer to Note 3 to the consolidated financial statements and the accounting policies on page 88.

The Key Audit Matter

During the year ended 31 December 2023, the Group's revenue from its liquor and spirits trading business amounted to RMB128.6 million, RMB102.25 million of which was generated from sales under distributor arrangement. The Group enters into framework distribution agreements with its distributors every year. According to the terms of the framework distribution agreements, revenue is recognised when the goods are delivered to the distributors' premises, which is the point when the control of the goods is considered to have transferred to its distributors.

We identified the recognition of revenue from sales of liquor and spirits under the distributor arrangements as a key audit matter because revenue is one of the key performance indicators of the Group, and there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition: sales of liquor and spirits under distributor arrangement included the following:

- obtaining an understanding of the Group's accounting policy for the recognition of revenue from sales of liquor and spirits under distributor arrangement; and assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue of sales to distributor;
- inspecting, on a sample basis, the framework distribution agreements with distributors to understand key terms and conditions of sales including the terms of delivery, applicable rebate and/or discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Revenue recognition: sales of liquor and spirits under distributor arrangement

The Key Audit Matter	How the matter was addressed in our audit
	• testing revenue transactions, on a sample basis, by examining the relevant supporting documents, including sales orders from distributors, goods delivery notes and distributors' acknowledgement of receipt notes; • obtaining external confirmations of the value of sales transactions for the year ended 31 December 2024 and outstanding trade receivable or receipt in advance balances as at that date directly from distributors, on a sample basis; • for sales transactions around the financial year end, comparing, on a sample basis, details in the sales invoices to the relevant goods delivery notes, which were signed by the distributors, to assess if the related revenue had been recognised in the appropriate financial period on the basis of the terms of sales as set out in the distribution agreements; • identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period; and • inspecting a sample of manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

– 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.

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2025

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Statement of Profit or Loss

for the year ended 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Continuing operations			
Revenue	3	**198,145**	407,104
Cost of sales		**(158,641)**	(292,090)
Gross profit		**39,504**	115,014
Other revenue	4	**3,144**	4,333
Other net loss	4	**(1,596)**	(4,337)
Administrative expenses		**(47,216)**	(58,903)
Selling and distribution costs		**(10,481)**	(15,377)
(Loss)/profit from operations		**(16,645)**	40,730
Finance costs	5(a)	**(5,102)**	(1,864)
Share of profits less losses of associates		**12,526**	226
(Loss)/profit before taxation	5	**(9,221)**	39,092
Income tax	6(a)	**(4,064)**	(22,154)
(Loss)/profit from continuing operations		**(13,285)**	16,938
Discontinued Sui-Yue Expressway operation			
Profit from discontinued Sui-Yue Expressway operation, net of tax	7	**–**	342,400
(Loss)/profit for the year		**(13,285)**	359,338

The notes on pages 71 to 148 form part of these financial statements.

Consolidated Statement of Profit or Loss

for the year ended 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
(Loss)/profit attributable to:			
Equity shareholders of the Company			
– continuing operations		**(8,514)**	4,340
– discontinued Sui-Yue Expressway operation		**–**	325,092
		(8,514)	329,432
Non-controlling interests			
– continuing operations		**(4,771)**	12,598
– discontinued Sui-Yue Expressway operation		**–**	17,308
		(4,771)	29,906
(Loss)/profit for the year		**(13,285)**	359,338
Basic (loss)/earnings per share (RMB Cents)	10		
– continuing operations		**(2.06)**	1.05
– discontinued Sui-Yue Expressway operation		**–**	78.79
		(2.06)	79.84
Diluted (loss)/earnings per share (RMB Cents)	10		
– continuing operations		**(2.06)**	1.05
– discontinued Sui-Yue Expressway operation		**–**	78.79
		(2.06)	79.84

The notes on pages 71 to 148 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2024
(Expressed in Renminbi)

	2024 RMB'000	2023 RMB'000
(Loss)/profit for the year	**(13,285)**	359,338
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of entities comprising the Group not using Renminbi as functional currency	**1,407**	(7)
Total comprehensive income for the year	**(11,878)**	359,331
Attributable to:		
Equity shareholders of the Company		
– continuing operations	**(7,107)**	4,333
– discontinued Sui-Yue Expressway operation	**–**	325,092
	(7,107)	329,425
Non-controlling interests		
– continuing operations	**(4,771)**	12,598
– discontinued Sui-Yue Expressway operation	**–**	17,308
	(4,771)	29,906
Total comprehensive income for the year	**(11,878)**	359,331

The notes on pages 71 to 148 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**428,974**	211,164
Intangible asset – service concession arrangement	12	**49,134**	80,197
Interests in associates	14	**163,579**	180,563
Deferred tax assets	24(b)	**266**	162
Contingent consideration receivables	18	**20,648**	20,011
Prepayments	17(b)	**36,563**	37,120
		699,164	529,217
Current assets			
Inventories	15	**390,608**	256,628
Financial assets at FVPL	16	**–**	14,242
Value added tax receivables		**40,632**	11,281
Trade and other receivables	17(a)	**10,393**	7,066
Prepayments	17(b)	**48,145**	23,273
Amounts due from related parties	31(b)	**37,566**	29,774
Contingent consideration receivables	18	**545**	64,029
Cash and cash equivalents	19(a)	**185,756**	313,720
		713,645	720,013
Current liabilities			
Accruals and other payables	20	**67,419**	29,842
Amounts due to related parties	31(b)	**1,057**	2,585
Contract liabilities	21	**12,608**	77,554
Banks loans and other borrowings	22	**145,124**	–
Lease liabilities	23	**2,388**	899
Current taxation	24(a)	**5,775**	13,768
		234,371	124,648
Net current assets		**479,274**	595,365
Total assets less current liabilities		**1,178,438**	1,124,582

Consolidated Statement of Financial Position

at 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	23	**540**	560
Bank loans	22	**99,469**	–
		100,009	560
NET ASSETS		**1,078,429**	1,124,022
CAPITAL AND RESERVES	25		
Share capital		**3,634**	3,634
Reserves		**747,511**	800,192
Total equity attributable to equity shareholders of the Company		**751,145**	803,826
Non-controlling interests		**327,284**	320,196
TOTAL EQUITY		**1,078,429**	1,124,022

Approved and authorised for issue by the board of directors on 27 March 2025.

Chan Yeung Nam
Chairman

Fu Jie Pin
Executive Director

The notes on pages 71 to 148 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2024
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital Note 25(c) RMB'000	Share premium Note 25(d)(i) RMB'000	Statutory reserve Note 25(d)(ii) RMB'000	Other reserve Note 25(d)(iii) RMB'000	Share-based compensation reserve Note 25(d)(iv) RMB'000	Exchange reserve Note 25(d)(v) RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2023	3,634	51,487	27,672	680,422	5,085	(20,468)	(229,664)	518,168	284,862	803,030
Changes in equity for 2023:										
Profit for the year	–	–	–	–	–	–	329,432	329,432	29,906	359,338
Other comprehensive income	–	–	–	–	–	(7)	–	(7)	–	(7)
Total comprehensive income	–	–	–	–	–	(7)	329,432	329,425	29,906	359,331
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	101,858	101,858
Appropriation to statutory reserve	–	–	20,112	–	–	–	(20,112)	–	–	–
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	92,536	92,536
Special interim dividends	–	–	–	–	–	–	(43,767)	(43,767)	–	(43,767)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	(47,700)	(47,700)
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	–	(141,266)	(141,266)
Balance at 31 December 2023	3,634	51,487	47,784	680,422	5,085	(20,475)	35,889	803,826	320,196	1,124,022

	Attributable to equity shareholders of the Company									
	Share capital Note 25(c) RMB'000	**Share premium Note 25(d)(i) RMB'000**	**Statutory reserve Note 25(d)(ii) RMB'000**	**Other reserve Note 25(d)(iii) RMB'000**	**Share-based compensation reserve Note 25(d)(iv) RMB'000**	**Exchange reserve Note 25(d)(v) RMB'000**	**Retained profits/ (accumulated losses) RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
Balance at 1 January 2024	**3,634**	**51,487**	**47,784**	**680,422**	**5,085**	**(20,475)**	**35,889**	**803,826**	**320,196**	**1,124,022**
Changes in equity for 2024:										
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(8,514)**	**(8,514)**	**(4,771)**	**(13,285)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,407**	**–**	**1,407**	**–**	**1,407**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,407**	**(8,514)**	**(7,107)**	**(4,771)**	**(11,878)**
Appropriation to statutory reserve	**–**	**–**	**15**	**–**	**–**	**–**	**(15)**	**–**	**–**	**–**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,866**	**25,866**
Special interim dividends (Note 25(b))	**–**	**–**	**–**	**–**	**–**	**–**	**(45,574)**	**(45,574)**	**–**	**(45,574)**
Deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,007)**	**(14,007)**
Balance at 31 December 2024	**3,634**	**51,487**	**47,799**	**680,422**	**5,085**	**(19,068)**	**(18,214)**	**751,145**	**327,284**	**1,078,429**

The notes on pages 71 to 148 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	19(b)	**(245,684)**	100,902
PRC Corporate Income Tax paid		**(4,834)**	(37,336)
Net cash generated from operating activities		**(250,518)**	63,566
Investing activities			
Payment for the purchase of property, plant and equipment		**(177,557)**	(49,684)
Payment for acquisition of interests in associates		**(300)**	(174,300)
Interest received		**2,746**	4,137
Advance to non-controlling interests		**(8,000)**	(8,000)
Payment for the purchase of other investments		**–**	(13,800)
Proceeds from disposal of a subsidiary, net of cash disposed of	7(c)	**55,861**	356,888
Net cash outflow upon deregistration of a subsidiary		**(10,331)**	–
Net cash inflow upon derecognition of associates		**21,837**	–
Dividends received from associates		**8,400**	5,034
Proceeds from redemption of other investments		**13,800**	10,800
Acquisition of a subsidiary, net of cash acquired	26	**–**	15,402
Net cash (used in)/generated from investing activities		**(93,544)**	146,477
Financing activities			
Capital element of lease rentals paid	19(c)	**(2,170)**	(1,435)
Interest element of lease rentals paid	19(c)	**(179)**	(46)
Proceeds of bank loans and other borrowings	19(c)	**295,593**	50,000
Repayment of bank loans and other borrowings	19(c)	**(51,000)**	(100,000)
Capital injection from non-controlling interests		**25,866**	92,536
Borrowing costs paid	19(c)	**(5,077)**	(15,653)
Repayment to controlling shareholder of the Company		**–**	(91,091)
Dividends to non-controlling shareholders		**–**	(47,700)
Dividends paid to equity shareholders of the Company		**(45,574)**	(43,767)
Net cash generated from/(used in) financing activities		**217,459**	(157,156)

Consolidated Statement of Cash Flows

for the year ended 31 December 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(126,603)**	52,887
Cash and cash equivalents at 1 January		**313,720**	260,074
Effect of foreign exchange rate changes		**(1,361)**	759
Cash and cash equivalents at 31 December	19(a)	**185,756**	313,720

The notes on pages 71 to 148 form part of these financial statements.

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

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

– investment in wealth management product (see Note 1(f));

– contingent consideration receivables (see Note 18).

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

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

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

1 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements-Classification of liabilities as current or non-current* ("2020 amendments") and amendments to HKAS 1, *Presentation of financial statements-Non-current liabilities with covenants* ("2022 amendments")

- Amendments to HKFRS 16, Leases – *Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRS Accounting Standards are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the HKAS 1 amendments, the Group has reassessed the classification of its liabilities as current or non-current, and did not identify any reclassification to be made.

1 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Amendments to HKFRS 16, *Leases-Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: disclosures-Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these consolidated financial statement as the Group has not entered into any supplier finance arrangements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

1 MATERIAL ACCOUNTING POLICIES (continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 1(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(j)(ii)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 1(j)(i)).

1 MATERIAL ACCOUNTING POLICIES (continued)

(e) Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Investment in wealth management product

Investment in wealth management product with expiry date less than one year at the reporting date is classified as financial assets at fair value through profit or loss (FVPL) under other current asset. Changes in the fair value of the investment (including investment income) are recognised in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment, including right-of-use assets, are stated at cost less accumulated depreciation and impairment losses (see Note 1(j)(ii)).

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

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

– Toll station and ancillary equipment	5 – 10 years
– Motor vehicles	5 years
– Furniture and fixtures	5 years

– Other properties leased for own use are depreciated over the shorter of the unexpired term of lease and their estimated useful lives.

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Intangible asset – service concession arrangement

The Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of an expressways in Mainland China. The Group carries out the construction of an expressways for the granting authorities and receives in exchange for the right to operate the expressways concerned and the entitlement to toll fees collected from users of the concession infrastructure.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The concession grantor has not provided any contractual guarantee in respect of the amounts of construction costs incurred to be recoverable. Intangible assets received as consideration for providing construction work and project management services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and impairment losses (see Note 1(j)(ii)).

Land collection costs incurred in conjunction with the service concession arrangement are recognised as intangible asset acquired under the service concession arrangement.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of the intangible asset arising from a service concession arrangement on a unit of usage basis whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those expressways. It is the Group's policy to review regularly the total projected traffic volume throughout the operative periods of the respective expressways. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change. Where an item of infrastructure assets included in the intangible asset arising from a service concession arrangement has different period of expected future economic benefits flowing to the Group than the concession period, it is amortised separately.

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(g) and 1(j)(ii)).

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

The Group presents right-of-use assets in property, plant and equipment and presents lease liabilities separately in the consolidated statement of financial position.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(ii) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 1(t)(iii).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (i.e. trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

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

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

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risks

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Credit-impaired financial assets

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Credit-impaired financial assets (continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other assets

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

- property, plant and equipment, including right-of-use assets;
- intangible asset – service concession arrangement; and
- investments in subsidiaries and associates in the Company's statement of financial position.

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 MATERIAL ACCOUNTING POLICIES (continued)

(k) Inventories

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

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

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

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

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

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 1(m)).

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(j)(i)).

1 MATERIAL ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

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

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(v)).

(q) Employee benefits

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

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

(ii) Share-based payments

Restricted shares

The difference between the granted price and the fair value of the restricted shares granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value of the restricted shares is measured at date of grant by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total difference between the granted price and the fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 MATERIAL ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(ii) Share-based payments (continued)

Share options

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

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

(iii) Termination benefits

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

(r) Income tax

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

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

(s) Provisions and contingent liabilities

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

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(t) Revenue and other income

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

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

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

(i) Toll revenue

The Group's toll revenue is measured based on the consideration the Group expects to be entitled from the contract with the customer and excludes those amounts collected on behalf of third parties. The Group recognises toll revenue when the vehicles go through the Expressway and pass the toll stations, which means it transfers control over services to customers. Due to the implementation of unified toll collection policy on the Expressway, the settlement period of the toll revenue from toll road operation is normally within a month.

(ii) Sale of goods

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

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 MATERIAL ACCOUNTING POLICIES (continued)

(t) Revenue and other income (continued)

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(u) Translation of foreign currencies

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

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

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

(v) Borrowing costs

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

(w) Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

1 MATERIAL ACCOUNTING POLICIES (continued)

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) 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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(y) Related parties (continued)

(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 entity and the other entity is an associate of the third entity.

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

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

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

(viii) The entity, or any member of a 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.

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Amortisation of intangible asset – service concession arrangement

The Group applied HK (IFRIC) Interpretation 12 and recognised intangible asset – service concession arrangement and provides amortisation thereon.

Amortisation of intangible asset – service concession arrangement is provided on unit of usage basis as set out in accounting policy in Note 1(h). Material adjustments may need to be made to the carrying amounts of intangible assets – service concession arrangement should there be a material difference between total projected traffic volume and the actual results.

The directors perform a periodic assessment of the total projected traffic volume and will prospectively adjust the amortisation unit according to revised projected traffic volume.

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

If circumstances indicate that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, these assets may be considered "impaired" and an impairment loss may be recognised in profit or loss. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, the expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of future toll revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of toll revenue and the amount of operating costs, and discount rate.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group disposed of the Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway") operation in April 2023, since then the principal activities of the Group are the trading of liquor and spirits and construction, operation and management of the First Phase of Qing Ping Expressway (the "Qing Ping Expressway") in Mainland China. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Continuing operations:		
– Toll income	**69,530**	77,918
– Sales of liquor and spirits	**128,615**	329,186
	198,145	407,104
Discontinued Sui-Yue Expressway operation:		
– Toll income	**–**	69,669
	198,145	476,773

Since the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is Mainland China. Therefore, no analysis by geographical regions is presented.

All the above revenue of the Group were recognised at a point in time.

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

During the year ended 31 December 2024, the Group's only customer with whom transactions have exceeded 10% of the Group's revenue are set out below:

	2024 RMB'000	2023 RMB'000
Customer A[aa]	**52,823**	180,213

(aa) Revenue from liquor and spirits segment.

Details of concentration of credit risks of the Group are set out in Note 29(a).

(ii) Performance obligations for contracts with customers

Information about the Group's performance obligations is summarised below:

Toll income

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the expressway.

Sales of liquor and spirits

The performance obligation is satisfied upon delivery of the products and payment in advance is normally required.

All contracts with customers related to sales of liquor and spirits have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

Continuing reportable segments:

– Qing Ping Expressway, construction, operation and management of the Qing Ping Expressway;

– Liquor and spirits, mainly distribution of Huamaojiu and Xijiushaofang.

Discontinued reportable segment:

– Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include accruals, bills payable and lease liabilities attributable to the expressways operations and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	For the year ended 31 December 2024		
	Continuing operations		
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Total RMB'000
Reportable segment revenue	69,530	128,615	198,415
Reportable segment profit (adjusted EBITDA)	26,688	23,388	50,076
Interest income from bank deposits	240	1,051	1,291
Interest expense	–	(5,048)	(5,048)
Depreciation and amortisation for the year	(31,957)	(7,263)	(39,220)
As at 31 December 2024			
Reportable segment assets	174,235	1,233,779	1,408,014
Reportable segment liabilities	9,662	361,786	371,448

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	For the year ended 31 December 2023				
	Continuing operations			Discontinued Sui-Yue Expressway operation	
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Subtotal RMB'000	Sui-Yue Expressway RMB'000	Total RMB'000
Reportable segment revenue	77,918	329,186	407,104	69,669	476,773
Reportable segment profit (adjusted EBITDA)	35,891	77,133	113,024	386,169	499,193
Interest income from bank deposits	182	1,258	1,440	625	2,065
Interest expense	–	(1,849)	(1,849)	(13,835)	(15,684)
Depreciation and amortisation for the year	(35,525)	(2,781)	(38,306)	–	(38,306)
Gain on disposal of discontinued Sui-Yue Expressway operation	–	–	–	320,307	320,307
As at 31 December 2023					
Reportable segment assets	179,143	948,477	1,127,620	–	1,127,620
Reportable segment liabilities	9,542	97,934	107,476	–	107,476

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2024 RMB'000	2023 RMB'000
Revenue		
Reportable segment revenue	**198,145**	476,773
Less: segment revenue from discontinued Sui-Yue Expressway operation	**–**	(69,669)
Consolidated revenue (Note 3(a))	**198,145**	407,104
Profit		
Reportable segment profit (adjusted EBITDA)	**50,076**	499,193
Less: segment profit from discontinued Sui-Yue Expressway operation	**–**	(386,169)
Reportable segment profit from continuing operations	**50,076**	113,024
Other revenue	**1,291**	2,929
Other net income	**453**	566
Depreciation and amortisation	**(39,888)**	(38,306)
Finance costs	**(5,102)**	(1,849)
Unallocated head office and corporate expenses	**(16,051)**	(37,272)
Consolidated (loss)/profit before taxation	**(9,221)**	39,092
Assets		
Reportable segment assets	**1,408,014**	1,127,620
Elimination of inter-segment receivables	**(46,215)**	(37,695)
	1,361,799	1,089,925
Deferred tax assets	**266**	162
Unallocated head office and corporate assets	**50,744**	159,143
Consolidated total assets	**1,412,809**	1,249,230
Liabilities		
Reportable segment liabilities	**371,448**	107,476
Elimination of inter-segment payables	**(46,215)**	(37,695)
	325,233	69,781
Current taxation	**5,775**	13,768
Unallocated head office and corporate liabilities	**3,372**	41,659
Consolidated total liabilities	**334,380**	125,208

4 OTHER REVENUE AND NET LOSS

	2024 RMB'000	2023 RMB'000
Other revenue		
Continuing operations:		
Billboard rental income	**882**	821
Interest income from bank deposits	**1,944**	2,843
Income from wealth management product	**318**	669
	3,144	4,333
Discontinued Sui-Yue Expressway operation:		
Billboard rental income	**–**	98
Interest income from bank deposits	**–**	625
	–	723
	3,144	5,056
Other net (loss)/income		
Continuing operations:		
Net foreign exchange loss	**(2,715)**	(580)
Change in fair value of contingent consideration receivables	**239**	(3,604)
Loss on disposal of property, plant and equipment	**(12)**	(23)
Gain on derecognition of associates	**427**	–
Others	**465**	(130)
	(1,596)	(4,337)
Discontinued Sui-Yue Expressway operation:		
Reversal of compensation for litigation	**–**	5,834
Net foreign exchange gain	**–**	66
Others	**–**	257
	–	6,157
	(1,596)	1,820

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs:

	2024 RMB'000	2023 RMB'000
Continuing operations:		
Interest on bank loans and other borrowings	**5,362**	1,818
Less: interest expense capitalised into construction in progress*	**(439)**	–
	4,923	1,818
Interest on lease liabilities	**179**	46
	5,102	1,864
Discontinued Sui-Yue Expressway operation:		
Interest on bank loans and other borrowing	**–**	13,835
	5,102	15,699

* The borrowing costs have been capitalised at a rate of 3.65% per annum.

5 (LOSS)/PROFIT BEFORE TAXATION (continued)

(b) Staff costs (including directors' emoluments (Note 8)):

	2024 RMB'000	2023 RMB'000
Continuing operations:		
Salaries, wages and other benefits	**34,342**	52,195
Contributions to defined contribution retirement plans	**3,345**	2,688
	37,687	54,883
Discontinued Sui-Yue Expressway operation:		
Salaries, wages and other benefits	**–**	3,723
Contributions to defined contribution retirement plans	**–**	628
	–	4,351
	37,687	59,234

Pursuant to the relevant labour rules and regulations in Mainland China, Mainland China subsidiaries participate in a defined contribution retirement benefit scheme ("the Scheme") organised by the local authority whereby Mainland China subsidiaries are required to make contributions to the Scheme at a fixed rate announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with the schemes referred to above beyond the annual contributions described above.

5 (LOSS)/PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2024 **RMB'000**	2023 RMB'000
Continuing operations		
Auditors' remuneration		
– annual audit and interim review services	**1,551**	2,032
– other professional services	**–**	1,835
Depreciation charge		
– owned property, plant and equipment	**2,239**	1,472
– right-of-use assets	**6,586**	2,606
Amortisation		
– Qing Ping Expressway	**31,063**	34,894
Cost of inventories recognised as expense (Note 15)	**91,859**	222,915

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2024 **RMB'000**	2023 RMB'000
Continuing operations		
Current tax – PRC Corporate Income tax		
– Provision for the year	**3,022**	17,837
– Withholding tax	**2,400**	1,080
– (Over)/under-provision in respect of prior years	**(1,254)**	2,017
	4,168	20,934
Deferred tax		
– Origination and reversal of temporary differences	**(104)**	1,220
	4,064	22,154
Discontinued Sui-Yue Expressway operation:		
Current tax – PRC corporate income tax		
– Provision for the year	**–**	6,028
Deferred tax		
– Origination and reversal of temporary differences	**–**	3,452
	–	9,480
Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation	**–**	21,177
	–	30,657

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2024 and 2023.

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in Mainland China are subject to PRC corporate income tax at a rate of 25% (2023: 25%) on its assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset – service concession arrangement, deductible tax losses and other deductible temporary differences.

(iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

(v) In 2023, the withholding tax on gain on sale of discontinued Sui-Yue Expressway operation was charged at 10% on the difference between the consideration received/receivable for the sale of a subsidiary and the deemed cost recognised by the PRC tax authority.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between income tax and accounting (loss)/profit at applicable tax rates:

	2024 RMB'000	2023 RMB'000
Continuing operations		
(Loss)/profit before tax from continuing operations	**(9,221)**	39,092
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	**(918)**	9,773
Tax effect of non-deductible expenses	**3,275**	7,376
Tax effect of non-taxable income	**(3,460)**	(96)
Tax effect on unused tax losses not recognised	**4,075**	785
Tax effect of utilisation of tax losses not recognised in previous years	**(57)**	–
Others	**4**	1,219
(Over)/under-provision in respect of prior years	**(1,255)**	2,017
PRC withholding tax	**2,400**	1,080
Income tax	**4,064**	22,154
Discontinued Sui-Yue Expressway operation		
Profit before taxation from discontinued Sui-Yue Expressway operation	**–**	52,750
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**–**	13,187
Tax effect on deductible temporary differences	**–**	3,453
Tax effect of non-deductible expenses	**–**	(5,564)
Tax effect of non-taxable income	**–**	(1,603)
Under-provision in respect of prior years	**–**	7
Income tax	**–**	9,480

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION

On 1 December 2022, the Group entered into a sale and purchase agreement ("Disposal Agreement") with NWS (Guangdong) Investment Company Limited ("NWS"), a minority shareholder which owned 40% equity interest of Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司, "Daoyue"), a non-wholly subsidiary of the Group in which the Group has 60% equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interests in Daoyue to NWS at a consideration of RMB555,700,000 ("Consideration"), subject to the terms and conditions ("Estimated Adjustments") in the sale and purchase agreement ("the Disposal"). The Disposal was completed in 25 April 2023 ("Completion Date").

The results of the discontinued Sui-Yue Expressway operation for the period from 1 January 2023 to Completion Date are as follows:

(a) Results of discontinued Sui-Yue Expressway operation

	Note	Period from 1 January 2023 to Completion Date RMB'000
Discontinued Sui-Yue Expressway operation		
Revenue	3(a)	69,669
Cost of sales		(6,228)
Gross profit		63,441
Other revenue	4	723
Other net income	4	6,157
Administrative expenses		(3,736)
Profit from operation		66,585
Finance costs	5(a)	(13,835)
Profit before taxation	5	52,750
Income tax	6(a)	(9,480)
Profit for the period		43,270
Gain on disposal of discontinued Sui-Yue Expressway operation	7(d)	320,307
Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation	6(a)	(21,177)
Profit from discontinued Sui-Yue Expressway operation for the period		342,400
Basic and diluted earnings per share		78.79

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION (continued)

(b) Cash flows of discontinued Sui-Yue Expressway operation

	Period from 1 January 2023 to Completion Date RMB'000
Net cash generated from operating activities	46,451
Net cash generated from investing activities	642
Net cash used in financing activities	(13,835)
Net cash flow for the period	33,258

(c) Effect of disposal on the financial position of the Group

	Completion Date RMB'000
Property, plant and equipment	15,079
Intangible asset – service concession arrangement	1,062,711
Deferred tax assets	108,723
Trade and other receivables	10,236
Cash and cash equivalents	87,672
Accruals and other payables	(50,240)
Amounts due to related parties	(1,551)
Bank loans	(877,924)
Current taxation	(1,541)
Non-controlling interests	(141,266)
Net assets attributable to the Group	211,899
Consideration received during the period*	444,560
Net cash and cash equivalents disposed of	(87,672)
Net cash inflows during the reporting period	356,888

* *Pursuant to Disposal Agreement, the Consideration of approximately RMB555.7 million would be settled in three instalments. The first instalment of approximately RMB444.6 million was received during 2023 and the second and third instalments of approximately RMB72.2 million and approximately RMB38.9 million will be settled respectively upon fulfilment (or waiver) of the conditions precedent and are subject to estimated adjustments, details of which are set out in Note 7(d).*

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION (continued)

(d) Gain on disposal of discontinued Sui-Yue Expressway operation is calculated as follows:

	RMB'000
Consideration for the Disposal	555,700
Less: Estimated Adjustments*	(23,494)
Fair value of consideration for the Disposal	532,206
Net assets attributable to the Group disposed of	(211,899)
Gain on disposal	320,307

* *Pursuant to Disposal Agreement, the Consideration for the Disposal is subject to an upward or downward adjustments (as the case may be) for certain incidents ("Estimated Adjustments"). The details of Estimated Adjustments are set as below, the occurrence of which resulted in the adjustments to be made to the Consideration:*

	RMB'000
Estimated fees for obtaining of the title registration certificate(s) of the land and properties of the Daoyue (i)	(33,361)
Net profit attributable to the Group between reference date and the Completion date (ii)	16,644
Others	(6,777)
Estimated Adjustments	(23,494)

(i) The amount represents an accrual of RMB33,361,000 recognised in Daoyue for land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of a piece of occupied land, which was estimated by the relevant government authority.

(ii) The amount represents the net profit of Daoyue attributable to the Group between the reference date of the Disposal and the Completion Date.

8 DIRECTORS' EMOLUMENTS

The details of directors' emoluments are disclosed as follows:

2024	**Directors' fees RMB'000**	**Salaries, allowances and benefits in kind RMB'000**	**Retirement scheme contributions RMB'000**	**Discretionary bonuses RMB'000**	**Share-based payments expenses RMB'000**	**Total RMB'000**
Executive directors						
Chan Yeung Nam	**960**	**–**	**–**	**–**	**–**	**960**
Fu Jie Pin	**657**	**–**	**–**	**–**	**–**	**657**
Liu Bao Hua	**493**	**–**	**–**	**–**	**–**	**493**
Independent non-executive directors						
Lam Hon Kuen	**109**	**–**	**–**	**–**	**–**	**109**
Chu Kin Wang, Peleus	**120**	**–**	**–**	**–**	**–**	**120**
Hu Lie Ge	**50**	**–**	**–**	**–**	**–**	**50**
Total	**2,361**	**–**	**–**	**–**	**–**	**2,389**

2023	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Share-based payments expenses RMB'000	Total RMB'000
Executive directors						
Chan Yeung Nam	960	–	–	–	–	960
Fu Jie Pin	649	–	–	–	–	649
Liu Bao Hua	486	–	–	–	–	486
Independent non-executive directors						
Lam Hon Kuen (appointed on 3 April 2023)	81	–	–	–	–	81
Sun Xiao Nian (resigned on 3 April 2023)	13	–	–	–	–	13
Chu Kin Wang, Peleus	120	–	–	–	–	120
Hu Lie Ge	50	–	–	–	–	50
Total	2,359	–	–	–	–	2,359

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2023: two) are directors whose emoluments are disclosed in Note 8 above.

The aggregate of the emoluments in respect of the remaining three (2023: three) individuals is as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and other emoluments	**4,342**	4,812
Discretionary bonuses	**456**	13,511
Retirement scheme contributions	**49**	122
	4,847	18,445

The emolument of the three (2023: three) individuals with the highest emolument is within the following bands:

	2024 **Number of individuals**	2023 Number of individuals
RMBNil – RMB1,000,000	**2**	–
RMB1,000,001 – RMB2,000,000	**–**	2
RMB2,000,001 – RMB3,000,000	**–**	–
RMB3,000,001 – RMB4,000,000	**1**	–
RMB14,000,001 – RMB15,000,000	**–**	1

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share has been based on the following (loss)/profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(i) (Loss)/profit attributable to ordinary shareholders of the Company (basic)

	2024 **RMB'000**	2023 RMB'000
From continuing operations	**(8,514)**	4,340
From discontinued Sui-Yue Expressway operation	**–**	325,092
(Loss)/profit attributable to ordinary shareholders of the Company	**(8,514)**	329,432

(ii) Weighted-average number of ordinary shares (basic)

	2024 **'000**	2023 '000
Weighted average number of ordinary shares for the year	**412,608**	412,608

(b) Diluted (loss)/earnings per share

There are no dilutive ordinary shares in issue for the years ended 31 December 2024 and 2023. The diluted (loss)/earnings per share are equal to the basic (loss)/earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land use rights RMB'000	Toll station and ancillary equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Other properties leased for own use RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	–	3,732	1,574	5,546	6,756	–	17,608
Acquisition of a subsidiary	177,300	–	443	206	–	16,433	194,382
Additions	–	1,934	687	88	1,261	9,980	13,950
Disposals	–	(75)	–	(442)	(481)	–	(998)
Exchange adjustments	–	–	–	–	(6)	–	(6)
At 31 December 2023	177,300	5,591	2,704	5,398	7,530	26,413	224,936
At 1 January 2024	177,300	5,591	2,704	5,398	7,530	26,413	224,936
Additions	5,011	739	569	536	3,667	216,099	226,621
Disposals	–	(28)	(210)	–	(6,275)	–	(6,513)
Exchange adjustments	–	–	–	–	26	–	26
At 31 December 2024	182,311	6,302	3,063	5,934	4,948	242,512	445,070
Accumulated depreciation:							
At 1 January 2023	–	1,968	1,295	2,074	5,177	–	10,514
Charge for the year	1,206	509	162	801	1,400	–	4,078
Written back on disposals	–	(71)	–	(263)	(481)	–	(815)
Exchange adjustments	–	–	–	–	(5)	–	(5)
At 31 December 2023	1,206	2,406	1,457	2,612	6,091	–	13,772
At 1 January 2024	1,206	2,406	1,457	2,612	6,091	–	13,772
Charge for the year	3,878	849	354	1,036	2,708	–	8,825
Written back on disposals	–	(26)	(199)	–	(6,275)	–	(6,500)
Exchange adjustments	–	–	–	–	(1)	–	(1)
At 31 December 2024	5,084	3,229	1,612	3,648	2,523	–	16,096
Net book value:							
At 31 December 2024	177,227	3,073	1,451	2,286	2,425	242,512	428,974
At 31 December 2023	176,094	3,185	1,247	2,786	1,439	26,413	211,164

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2024 RMB'000	2023 RMB'000
Land use rights	**177,227**	176,094
Other properties leased for own use, carried at depreciated cost	**2,425**	1,439

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

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**3,878**	1,206
Other properties leased for own use	**2,708**	1,400
Interest on lease liabilities (Note 5(a))	**179**	46

During the year, additions to right-of-use assets were RMB8,678,000 (2022: RMB178,561,000). This amount included the purchase of land use rights of RMB5,011,000 (2023: included the purchase of land use rights of RMB177,300,000 through acquisition of a subsidiary), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 19(d) and 23, respectively.

12 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	2024 RMB'000	2023 RMB'000
Cost:		
At 1 January and 31 December	**653,638**	653,638
Accumulated amortisation:		
At 1 January	**573,441**	538,547
Charge for the year	**31,063**	34,894
At 31 December	**604,504**	573,441
Net book value:		
At 31 December	**49,134**	80,197

The service concession arrangement represents the Group's rights to operate the Qing Ping Expressway and receive toll fees therefrom.

As at 31 December 2024, there was no indication of impairment of the Group's intangible assets and no provision for impairment of intangible assets was required (2023: Nil).

(Expressed in Renminbi unless otherwise indicated)

13 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Principal place of operation	Type of legal entity under PRC law	Issued and fully paid/ registered capital	Proportion of ownership interest			Principal activities
					Group's effective interest	Held by the company	Held by a subsidiary	
Top Talent Holdings Limited ("Top Talent")	BVI 18 March 2003	Hong Kong	N/A	US$1/US$50,000	100%	100%	–	Investment holding
Shenzhen Huayu Expressway Investment Co., Ltd. ("Qingping")*	Mainland China 22 December 2002	Mainland China	Limited liability company	RMB150,000,000/ RMB150,000,000	60%	–	60%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Wine Development Co., Ltd. ("Wine Development")*	Mainland China 25 January 2013	Mainland China	Limited liability company	HK$400,000,000/ HK$400,000,000	100%	–	100%	Distribution of liquor and spirits
Huayu Healthy Wine (Shenzhen) Co., Ltd. ("Healthy Wine")*	Mainland China 24 August 2018	Mainland China	Limited liability company	RMB50,000,000/ RMB50,000,000	77%	–	77%	Distribution of liquor and spirits
Guizhou Renhuai Huayu Liquor Co., Ltd. ("Guizhou Renhuai")*	Mainland China 17 February 2022	Mainland China	Limited liability company	RMB476,000,000/ RMB476,000,000	53.57%	–	53.57%	Winemaking and other related business

* *These entities are established in Mainland China. The English translation of the Companies' names are for references only. The official names are in Chinese.*

None of the subsidiaries had issued any debt securities at the end of the year.

13 INTERESTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to subsidiaries of the Group which has material non-controlling interest ("NCI").

	2024		
	Guizhou Renhuai RMB'000	**Qingping RMB'000**	**Healthy Wine RMB'000**
NCI percentage	**46.43%**	**40%**	**23%**
Current assets	**166,902**	**121,927**	**355,423**
Non-current assets	**421,163**	**52,309**	**23,029**
Current liabilities	**(48,704)**	**(9,662)**	**(221,482)**
Non-current liabilities	**(71,469)**	**–**	**(358)**
Net assets	**467,892**	**164,574**	**156,612**
Carrying amount of NCI	**217,236**	**65,830**	**36,021**
Revenue	**755**	**69,530**	**97,591**
(Loss)/profit for the year	**(4,791)**	**(5,028)**	**19,884**
Total comprehensive income	**(4,791)**	**(5,028)**	**19,884**
(Loss)/profit allocated to NCI	**(2,224)**	**(2,011)**	**4,573**
Cash flows from operating activities	**(78,720)**	**27,650**	**(192,008)**
Cash flows from investing activities	**(175,734)**	**(19,418)**	**35,838**
Cash flows from financing activities	**97,976**	**–**	**123,367**

	2023		
	Guizhou Renhuai RMB'000	Qingping RMB'000	Healthy Wine RMB'000
NCI percentage	49%	40%	23%
Current assets	245,172	95,605	270,680
Non-current assets	204,112	83,538	47,990
Current liabilities	(2,466)	(9,542)	(181,943)
Net assets	446,818	169,601	136,727
Carrying amount of NCI	193,509	67,840	31,447
Revenue	–	77,918	283,070
(Loss)/profit for the year	(1,190)	382	54,123
Total comprehensive income	(1,190)	382	54,123
(Loss)/profit allocated to NCI	(583)	153	12,448
Cash flows from operating activities	(3,836)	31,830	22,163
Cash flows from investing activities	(47,235)	(22,610)	96,425
Cash flows from financing activities	185,534	–	(138,738)

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN ASSOCIATES

The following list contains the particulars of the associates, all of which are unlisted corporate entities whose quoted market price is not available:

					Proportion of ownership interest		
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
貴州華昱深黔酒業有限公司 Guizhou Huayu Shenqian Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	48.0%	–	48.0%	Sales of liquor and spirits
北京華昱盛京酒業有限公司 Beijing Huayu Shengjing Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	28.0%	–	28.0%	Sales of liquor and spirits
廣東華昱粵海酒業有限公司 Guangdong Huayu Yuehai Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	42.0%	–	42.0%	Sales of liquor and spirits
華嘉酒業(深圳)有限公司 Huajia Winery (Shenzhen) Co., Ltd. ("Huajia Winery")*	Incorporated	Mainland China	RMB400,000,000	28.0%	–	28.0%	Sales of liquor and spirits and investment holding

* *These entities are established in Mainland China. The English translation of the Companies' names are for references only. The official names are in Chinese.*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

14 INTERESTS IN ASSOCIATES (continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Huajia Winery 2024 RMB'000	Huajia Winery 2023 RMB'000	Guizhou Renhuai 2023 RMB'000
Gross amounts of the associate			
Current assets	**3,770**	1,934	–
Non-current assets	**510,576**	505,614	–
Current liabilities	**–**	(6,527)	–
Net assets	**514,346**	501,021	–
Revenue	**–**	–#	–*
Profit/(loss) from continuing operations	**43,325**	1,021#	(1,538)*
Total comprehensive income	**43,325**	1,021#	(1,538)*
Dividends received during the year	**8,400**	–	–
Reconciled to the Group's interests in the associates			
Gross amounts of net assets of the associate	**514,346**	501,021	–
Group's effective interest	**28.0%**	28.0%	–
	144,017	140,286	–
Carrying amount in the consolidated financial statements	**144,017**	140,286	–

* *Results are up to the date of loss of significant influence of Guizhou Renhuai during the year ended 31 December 2023.*

\# *Results are since the date of obtaining significant influence of Huajia Winery during the year ended 31 December 2023.*

14 INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**19,562**	40,277
Dividends received during the year	**–**	5,034
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit from continuing operations	**(684)**	402
Other comprehensive income	**–**	–
Total comprehensive income	**(684)**	402

15 INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**7,067**	11,173
Finished goods	**383,541**	245,455
	390,608	256,628

The amount of inventories recognised as an expense and included in profit or loss is RMB91,859,000 (2023: RMB222,915,000).

16 FINANCIAL ASSETS AT FVPL

As at 31 December 2023, financial assets at FVPL represent the Group's investment in an entrusted wealth management product managed by an asset management company with a principal amount of RMB13,800,000. The wealth management product is with a fixed annual return rate of 4.35% and an initial investment period of within one year and is classified as financial assets at fair value through profit or loss.

The wealth management product was fully redeemed during the year ended 31 December 2024.

17 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	2024 RMB'000	2023 RMB'000
Trade receivables (note (i))	**4,840**	2,303
Other receivables	**5,553**	4,763
Financial assets at amortised cost	**10,393**	7,066

(i) Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2024, all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the expressway.

There was no recent history of default in respect of the Group's debtors. Since the debtors are local government authorities and government agencies in Mainland China and based on past experience, management believes that no impairment allowance is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 December 2024 (2023: Nil).

(b) Prepayments

	2024 RMB'000	2023 RMB'000
Prepayments for:		
– suppliers (note i)	**48,145**	23,273
– subcontractors (note ii)	**36,563**	37,120
	84,708	60,393
Less: amounts shown under non-current assets	**(36,563)**	(37,120)
Amounts shown under current assets	**48,145**	23,273

(i) The balance mainly represented prepayment to suppliers of liquor and spirits business.

(ii) The balance represented the prepayments to subcontractors for the construction project of a winery production plant in Guizhou, PRC.

18 CONTINGENT CONSIDERATION RECEIVABLES

	2024 RMB'000	2023 RMB'000
At fair value:		
At beginning of the year	**84,040**	–
Arising from disposal of a subsidiary	**–**	532,206
Repayment during the year	**(63,086)**	(444,562)
Fair value change	**239**	(3,604)
At end of the year	**21,193**	84,040

	2024 RMB'000	2023 RMB'000
Analysed for reporting purpose		
Contingent consideration receivables		
– Current	**545**	64,029
– Non-current	**20,648**	20,011
	21,193	84,040

Pursuant to Disposal Agreement, the Consideration in respect of disposal of Daoyue would be settled in three instalments. The first instalment of approximately RMB444,562,000 and the second instalment of RMB63,086,000 were received during the year ended 31 December 2023 and 2024 respectively. The third instalments of the Consideration will be received upon fulfilment (or waiver) of the conditions precedent and adjusted in accordance with Estimated Adjustments as set out in Note 7 ("Consideration Receivables"). Accordingly, the Group recognised the Consideration Receivables as contingent consideration receivables.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss.

The fair value of contingent consideration receivables is calculated as Consideration less Estimated Adjustments and discounted at an effective interest rate of 3.1% (2023: 3.75%) per annum by using discounted cash flow approach.

As at 31 December 2024, considering the progress of fulfilment of the conditions to the settlement of the Consideration Receivables, the directors assessed that the third instalment of Consideration Receivables will be recovered in one to two years.

At 31 December 2024 and 2023, the contingent consideration receivables fall into "Level 3 valuations" as defined in HKFRS 13, *Fair Value Measurement*. The significant unobservable input of the Level 3 valuations is the discount factor. The increase in discount rate used would also result in decrease in fair value measurement of contingent consideration receivable. A 5% increase or decrease in the discount rate used while holding all other variables constant would decrease or increase in the carrying amount of contingent consideration receivable by approximately RMB33,600 or RMB33,700 (2023: RMB63,000 or RMB63,000), respectively.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024	2023
	RMB'000	RMB'000
Cash at bank and on hand	**185,756**	313,720

(b) Reconciliation of profit before taxation to cash generated from operating activities:

	Note	**2024** **RMB'000**	2023 RMB'000
(Loss)/profit before taxation from continuing operations		**(9,221)**	39,092
Profit before taxation from discontinued Sui-Yue Expressway operation		**–**	52,750
Profit before taxation		**(9,221)**	91,842
Adjustments for:			
– Depreciation	11(a)	**8,825**	4,078
– Amortisation	12	**31,063**	34,894
– Finance costs	5(a)	**5,102**	15,699
– Interest income and income from wealth management product		**(2,262)**	(4,137)
– Loss on disposal of property, plant and equipment	4	**12**	23
– Gain on derecognition of associates	4	**(427)**	–
– Share of profits less losses of associates		**(12,526)**	(226)
– Foreign exchange loss		**2,715**	514
– Change in fair value of contingent consideration receivables	4	**(239)**	3,604
Changes in working capital:			
Increase in inventories		**(133,980)**	(96,695)
(Decrease)/increase in trade and other receivables		**(25,592)**	18,805
Decrease in accruals and other payables		**(42,680)**	(5,616)
Decrease in amounts due to related parties		**(1,528)**	(1,501)
(Decrease)/increase in contract liabilities		**(64,946)**	39,618
Cash (used in)/generated from operating activities		**(245,684)**	100,902

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings RMB'000 (Note 22)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2024	–	–	1,459	1,459
Changes from financing cash flows:				
Repayment of bank loans	(51,000)	–	–	(51,000)
Proceeds from new bank loan	295,593	–	–	295,593
Borrowing costs paid	–	(5,077)	–	(5,077)
Capital element of lease rentals paid	–	–	(2,170)	(2,170)
Interest element of lease rentals paid	–	–	(179)	(179)
Total changes from financing cash flows	244,593	(5,077)	(2,349)	237,167
Exchange adjustments	–	–	(28)	(28)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	3,667	3,667
Interest expenses (Note 5(a))	–	4,923	179	5,102
Capitalised borrowing costs	–	358	–	358
Total other changes	–	5,281	3,846	9,127
At 31 December 2024	244,593	204	2,928	247,725

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans RMB'000 (Note 22)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2023	50,000	–	1,650	51,650
Changes from financing cash flows:				
Repayment of bank loans	(100,000)	–	–	(100,000)
Proceeds from new bank loan	50,000	–	–	50,000
Borrowing costs paid	–	(15,653)	–	(15,653)
Capital element of lease rentals paid	–	–	(1,435)	(1,435)
Interest element of lease rentals paid	–	–	(46)	(46)
Total changes from financing cash flows	(50,000)	(15,653)	(1,481)	(67,134)
Exchange adjustments	–	–	(16)	(16)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	1,260	1,260
Interest expenses (Note 5(a))	–	15,653	46	15,699
Total other changes	–	15,653	1,306	16,959
At 31 December 2023	–	–	1,459	1,459

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprises the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**350**	190
Within financing cash flows	**2,349**	1,481
	2,699	1,671

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	**2,699**	1,671

20 ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Construction payables	**49,131**	4,730
Payroll and other staff benefits payable	**6,976**	8,198
VAT and surcharges	**606**	1,022
Other payables	**10,706**	15,892
	67,419	29,842

All of the accruals and other payables are expected to be settled or recognised as income within one year.

21 CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Advances from sales of liquor and spirits	**12,608**	77,554

The Group receives deposits from customers, which are recognised as contract liabilities until control over the goods were transferred to the customers.

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance for the sales of liquor and spirits.

All the contract liabilities as at 31 December 2023 are recognised as revenue during the year ended 31 December 2024. The Group expects that the contract liabilities as at 31 December 2024 will be recognised as revenue within one year.

22 BANK LOANS AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Current liabilities		
Current portion of long-term secured bank loans (Note i)	**17,000**	–
Short term unsecured bank loans (Note ii)	**23,000**	–
Other borrowings (Note iii)	**105,124**	–
Subtotal	**145,124**	–
Non-current liabilities		
Long-term secured bank loans (Note i)	**99,469**	
Total	**244,593**	–

22 BANK LOANS AND OTHER BORROWINGS (continued)

At 31 December 2024, the bank loans and other borrowings was repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year or on demand	**145,124**	–
After 1 year but within 2 years	**30,000**	–
After 2 years but within 5 years	**52,000**	–
More than 5 years	**17,469**	–
	244,593	–

Other major terms of the bank loans and other borrowings are as follows:

(i) *At 31 December 2024, secured bank loans of approximately RMB44 million were guaranteed by the Company and a director of a subsidiary, interesting-bearing at 4.8% per annum and repayable within 2 years. In addition to the above, the bank loans were secured by the Company's equity interests in Qingping.*

At 31 December 2024, secured bank loans of approximately RMB72 million were guaranteed by the Company, certain subsidiaries and certain directors of a subsidiary, interesting-bearing at 3.65% per annum and repayable within 10 years. In addition to the above, the loans were secured by the Group's land and buildings with carrying amount of approximately RMB356 million.

(ii) *At 31 December 2024, the short-term bank loans were unsecured, interest-bearing at 2.3% to 3.7% per annum and repayable within one year. The bank loans were guaranteed by the Company and a director of a subsidiary.*

(iii) *At 31 December 2024, the other borrowings were secured by the Group's inventories with equivalent amounts of the loans outstanding, interest-bearing at 3.8% per annum and repayable within one year. The other borrowings were granted by a supplier.*

The Group has complied with the financial covenants of its bank loans and other borrowings facilities during the current reporting period.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2024		2023	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**2,388**	**2,464**	899	956
After 1 year but within 2 years	**540**	**545**	560	575
	2,928	**3,009**	1,459	1,531
Less: total future interest expenses		**(81)**		(72)
Present value of lease liabilities		**2,928**		1,459

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position

	2024 **RMB'000**	2023 RMB'000
PRC Corporate Income Tax	**5,775**	13,768

(b) Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Others RMB'000	**Total** RMB'000
At 1 January 2023	1,382	1,382
Charged to profit or loss (Note 6(a))	(1,220)	(1,220)
At 31 December 2023	162	162
At 1 January 2024	**162**	**162**
Credited to profit or loss (Note 6(a))	**104**	**104**
At 31 December 2024	**266**	**266**

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

The Group did not recognise deferred tax assets amounted to RMB16,842,000 (2023: RMB4,657,000) in respect of cumulative tax losses of certain subsidiaries and mainly generated from PRC subsidiaries. The tax effect on such tax losses has not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The expiry dates of the unrecognised tax losses are listed as below.

	31 December	
	2024	2023
	RMB'000	RMB'000
2024	**N/A**	–
2025	**–**	–
2026	**–**	–
2027	**520**	520
2028	**3,444**	4,137
2029	**16,298**	–
	20,262	4,657

(d) Deferred tax liabilities not recognised

At 31 December 2024, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB187,257,000 (2023: RMB182,104,000). Deferred tax liabilities of RMB18,726,000 (2023: RMB18,210,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

Company	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	3,634	51,487	483,118	(30,917)	(382,683)	124,639
Changes in equity for 2023:						
Profit for the year	–	–	–	–	353,718	353,718
Other comprehensive income	–	–	–	3,701	–	3,701
Total comprehensive income for the year	–	–	–	3,701	353,718	357,419
Special interim dividends	–	–	–	–	(43,767)	(43,767)
Balance at 31 December 2023	3,634	51,487	483,118	(27,216)	(72,732)	438,291
Balance at 1 January 2024	**3,634**	**51,487**	**483,118**	**(27,216)**	**(72,732)**	**438,291**
Changes in equity for 2023:						
Profit for the year	**–**	**–**	**–**	**–**	**39,482**	**39,482**
Other comprehensive income	**–**	**–**	**–**	**9,486**	**–**	**9,486**
Total comprehensive income for the year	**–**	**–**	**–**	**9,486**	**39,482**	**48,968**
Special interim dividends	**–**	**–**	**–**	**–**	**(45,574)**	**(45,574)**
Balance at 31 December 2024	**3,634**	**51,487**	**483,118**	**(17,730)**	**(78,824)**	**441,685**

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

Dividends paid/payable to equity shareholders of the Company approved and paid during the year:

	2024 **RMB'000**	2023 RMB'000
Special interim dividend declared of HKD0.121 (equivalent to RMB0.11) per share (2023: HKD0.121 (equivalent to RMB0.106) per share)	**45,574**	43,767

(c) Share capital

Details of the Company's share capital are as follows:

	Number of shares	**Amount** $'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	10,000,000,000	100,000

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

	Number of shares	Amount $'000	Amount RMB'000 (equivalent)
Ordinary shares of HK$0.01 each			
Ordinary shares, issued and fully paid:			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	412,608,000	4,126	3,634

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

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands (the "Law"), the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business. Pursuant to the 134 of articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(ii) Statutory reserve

Pursuant to applicable PRC regulations, PRC subsidiaries are required to appropriate 10% of their profit after taxation (after offsetting prior years' losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Other reserve

Other reserve includes:

(1) the difference between the historical carrying value of the shares acquired and the acquisition consideration paid by the Company in respect of the combining entities in which the common control combination occurs;

(2) the difference between the assigned receivable balances over the nominal value of the shares issued by the Company in exchange pursuant to the Group's reorganisation before its initial public offering; and

(3) the differences between the fair value of consideration and the net book value of equity interest and other directly related transaction costs for the acquisition and disposal of interest in subsidiaries from and to non-controlling interest respectively.

(iv) Share-based compensation reserve

(1) Restricted Share Award Scheme in 2019

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employee as consideration for equity instruments (restricted shares) of a subsidiary. The restricted shares are recognised for the difference between the grant price and the fair value of the restricted shares at the grant date.

The executive director of a subsidiary approved the Restricted Share Award Scheme (the "Award Scheme") on 18 June 2019 and 30 July 2019 respectively (the "Grant Date"). Subsequently the restricted shares were allotted to the selected participants. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the allotment of the restricted shares to the vesting date (both dates inclusive) of such restricted shares.

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(iv) Share-based compensation reserve (continued)

(1) Restricted Share Award Scheme in 2019 (continued)

The selected participants are management of subsidiaries. The total consideration of the restricted shares is RMB6,500,000.

If the selected participant does not meet the vesting conditions, the restricted share will be repurchased based on the net asset of the subsidiary. All restricted shares have been awarded to the selected participants and no restricted shares were granted during the year ended 31 December 2022.

The above transaction was considered as equity-settled share-based payment to employee. The fair value of the subsidiary's shares allotted to employee on grant date, as determined by a professional valuation firm, was RMB12,461,800. Share-based payment expense of RMB1,298,000 was recognised for the year ended 31 December 2022.

(2) Share Option Scheme in 2021

The Company has a share option scheme approved and adopted on 11 June 2020 ("Share Option Scheme"), pursuant to which share options may be granted to certain employees, directors and officers of the Group to subscribe for the ordinary shares of HK$0.01 each of the Company, subject to a maximum of 10% of the total number of shares in issue as at the date of the passing of the relevant ordinary resolution approving the Share Option Scheme.

There were no share option outstanding under the Share Option Scheme as at 31 December 2024.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations. The reserve is dealt with in accordance with the accounting policy as set out in Note 1(u).

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

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

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

The Group monitors its capital structure on the basis of a debt-to-equity ratio, excluding the debt included in the disposal group. For this purpose, total debt includes interest-bearing loans and borrowings and lease liabilities of the Group. Equity comprises all components of equity.

The debt-to-equity ratio of the Group at 31 December 2024 and 2023 is as follows:

	2024 **RMB'000**	2023 RMB'000
Total debt	**247,521**	1,459
Total equity	**1,078,429**	1,124,022
Debt-to-equity ratio	**22.95%**	0.1%

26 ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2023

Acquisition of additional interests in Guizhou Renhuai

In June 2023, the Group entered into an equity transfer agreement with an independent third party, pursuant to which the Group would acquire 21% of equity interests in Guizhou Renhuai, a former 30% owned associate of the Group engaging in winemaking and other related business in the PRC, at a total consideration of RMB44,101,000. The consideration comprises (a) the purchase price of the equity interests in Guizhou Renhuai in an amount of RMB1,000; and (b) the capital contribution in an amount of RMB44,100,000. Upon completion of the acquisition in August 2023, the Group holds 51% equity interest in Guizhou Renhuai which then becomes a non-wholly owned subsidiary of the Group. Guizhou Renhuai was acquired so as to continue the expansion of the Group's business of liquor and spirits.

Up to the date of completion of the acquisition, the major assets of the Guizhou Renhuai are three pieces of land parcels situating in Renhuai city of the Guizhou province in the PRC. It is intended that the land parcels will be developed into a winery and a comprehensive operating centre comprising wine storage and packaging, office and carpark. Up to the date of completion of the acquisition, the construction of the abovementioned winery and operating centre was in progress. As at the date of completion of the acquisition, Guizhou Renhuai has not yet generated any revenue. This acquisition was accounted for as a business combination.

26 ACQUISITION OF A SUBSIDIARY (continued)

For the year ended 31 December 2023 (continued)

Acquisition of additional interests in Guizhou Renhuai (continued)

	RMB'000
Consideration transferred:	
Total consideration paid	44,101
Interest in an associate (note i)	116,962
	161,063
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Land use rights	177,300
Equipments	649
Construction in progress	16,433
Other current assets	9,192
Cash and cash equivalents	59,503
Current liabilities	(156)
	262,921
Net assets acquired	
Consideration transferred	161,063
Non-controlling interests (note ii)	101,858
	262,921
Net cash inflow arising on acquisition	
Cash consideration paid	(44,101)
Less: bank balances and cash acquired	59,503
	15,402

26 ACQUISITION OF A SUBSIDIARY (continued)

For the year ended 31 December 2023 (continued)

Acquisition of additional interests in Guizhou Renhuai (continued)

Notes:

(i) The fair value of the previously held interest in Guizhou Renhuai approximated to its carrying amount at the date of acquisition and therefore, no gain or loss was recognised in profit or loss.

(ii) Included in the amount is the 49% non-controlling interests in Guizhou Renhuai recognised at the acquisition date that was measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets of Guizhou Renhuai at that date.

27 ACQUISITION OF AN ASSOCIATE

For the year ended 31 December 2023

In September 2023, the Group entered into an equity transfer agreement with Shenzhen Huayu Investment & Development Group Co., Ltd, an enterprise established in the PRC, which is wholly-owned by the ultimate controlling party of the Company, pursuant to which the Group would acquire 28% of equity interests in Huajia Winery, at a total consideration of RMB140,000,000.

The principal asset of the Huajia Winery is approximately 45% equity interest in Guizhou Zunpeng Winery Co., Ltd. ("Guizhou Zunpeng") which is principally engaged in the manufacture and sales of base wine, which is a common raw material for production of Chinese liquor, and has commenced the initial stage of production and sales of base wine since 2020.

27 ACQUISITION OF AN ASSOCIATE (continued)

For the year ended 31 December 2023 (continued)

	RMB'000
Consideration transferred:	
Cash consideration paid	140,000

The assets and liabilities recognised as a result of the acquisition are as follows:

	On acquisition date RMB'000
Non-current assets	504,593
Current assets	1,934
Current liabilities	(6,527)
Net identifiable assets acquired	500,000
Group's effective interest	28%
Net assets acquired	140,000

28 COMMITMENTS

Capital commitments representing the construction of a winery and operating centre (see Note 26) outstanding at 31 December 2024 not provided for in the financial statements, were as follows:

	2024 **RMB'000**	2023 RMB'000
Contracted but not provided for:	**203,612**	331,401

29 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and cash at bank and on hand. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

To measure ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Given the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the expressways, management considered the default rate of trade receivables to be minimal and the expected credit loss rate of local government authorities and government agencies to be nil. As a result, no provision for impairment of trade receivables is necessary.

Sales from liquor and spirits are mainly settled by advances from customers. Accordingly, there is no significant credit risk related to these customers.

Credit risk in respect of other receivables, the Group monitors the exposures and manages them based on historical settlement records and past experience, current conditions and forecast of future economic conditions. The management will continue to monitor the progress of the recoverability of the other receivables and chase for settlement of the outstanding balances from the debtors regularly.

Credit risk in respect of contingent consideration receivables, the management is confident the third instalment (see Note 7) will be settled respectively upon fulfilment (or waiver) of the conditions precedent.

29 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

No loss allowance was made for other receivables and contingent consideration receivables since the Group considers the probability of default is minimal after assessing the counter-parties' financial background and creditability.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash, adequate committed lines of funding from major financial institutions and support from the controlling shareholder of the Company to meet its liquidity requirements in the short and longer term. The Company can control the dividend policy of the subsidiaries and request the subsidiaries to declare dividends should the Company need to fulfil its payment obligations.

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

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 year RMB'000	Total RMB'000	Carrying amount RMB'000
2024						
Accruals and other payables	73,298	2,954	6,070	349	82,671	67,419
Lease liabilities	2,464	545	–	–	3,009	2,928
Amounts due to related parties	1,057	–	–	–	1,057	1,057
Bank loans and other borrowings	145,124	30,000	52,000	17,469	244,593	244,593
	221,943	33,499	58,070	17,818	331,330	315,997

29 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
2023				
Accruals and other payables	29,842	–	–	29,842
Lease liabilities	956	575	1,531	1,459
Amounts due to related parties	2,585	–	2,585	2,585
	33,383	575	33,958	33,886

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans and other borrowings. Bank loans and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Loan Prime Rate arising from the Group's RMB denominated bank loans and other borrowings.

The Group does not anticipate significant impact to cash at bank and bank deposits because the interest rates of cash at bank and bank deposits are not expected to change significantly.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise.

At 31 December 2024, the Group had approximately RMB72,469,000 (2023: Nil) variable interest rate borrowings which expose the Group to cash flow interest rate risk. The interest rates and terms of repayment of the Group's bank loans and other borrowings are disclosed in Note 22 to the consolidated financial statements.

At 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and decreased/increased total equity by approximately RMB272,000 (2023: Nil).

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit after taxation and total equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and the impact on the Group's (loss)/profit after taxation and total equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2023.

29 FINANCIAL RISK MANAGEMENT (continued)

(d) Currency risk

The Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the functional currency of the operations in which they relate. Accordingly, the Group does not expose to significant currency risk as at 31 December 2024 and 2023.

30 CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2024, the Company has issued guarantees to certain banks in respect of the credit facilities granted to Wine Development, Healthy Wine and Guizhou Renhuai respectively. As at 31 December 2024, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the bank loans amounting to approximately RMB139 million (2023: Nil) borrowed by Wine Development, Healthy Wine and Guizhou Renhuai.

The Company did not recognise any deferred income in respect of these guarantees as their fair value is insignificant.

31 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

(a) Particulars of significant transactions between the Group and related parties during the year are as follows:

	2024 **RMB'000**	2023 RMB'000
Sales to associates	**31,290**	112,639
Expense paid on behalf by – Companies controlled by the ultimate controlling shareholder	**1,753**	2,085
Rendering of services to a company by A company controlled by non-controlling interest	**–**	450
Receiving services from companies controlled by – The ultimate controlling shareholder	**1,039**	1,049
Dividend of a subsidiary paid to – Non-controlling interest	**–**	47,700
Repayment to – The ultimate controlling shareholder	**–**	91,091

31 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	2024 RMB'000	2023 RMB'000
Amounts due from related parties		
Non-trade		
– Companies controlled by the ultimate controlling shareholder	**4,283**	2,370
– Non-controlling interest	**33,130**	26,844
Trade		
– An associate	**–**	560
– Companies controlled by the ultimate controlling shareholder	**153**	–
	37,566	29,774
Amounts due to related parties		
Non-trade		
– Companies controlled by the ultimate controlling shareholder	**80**	80
– Companies controlled by non-controlling interests	**77**	105
Trade		
– Trading deposits from associates	**900**	2,400
	1,057	2,585
Contract liabilities		
– Associates	**9,174**	35,982

31 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2024 **RMB'000**	2023 RMB'000
Short-term employee benefits	**7,653**	19,194

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

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2024 RMB'000**	2023 RMB'000
Non-current assets			
Interests in subsidiaries		**502,919**	492,164
Current asset			
Cash and cash equivalents		**1,463**	1,421
Current liabilities			
Amounts due to subsidiaries		**59,898**	52,527
Accruals and other payables		**2,799**	2,767
		62,697	55,294
Net current liabilities		**(61,234)**	(53,873)
NET ASSETS		**441,685**	438,291
CAPITAL AND RESERVES	25		
Share capital		**3,634**	3,634
Reserves		**438,051**	434,657
TOTAL EQUITY		**441,685**	438,291

Approved and authorised for issue by the board of directors on 27 March 2025.

Chan Yeung Nam
Chairman

Fu Jie Pin
Executive Director

(Expressed in Renminbi unless otherwise indicated)

33 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2024, the directors consider the immediate parent and ultimate controlling party of the Group to be Velocity International Limited, which is incorporated in the British Virgin Islands and Chan Yueng Nam, respectively. Velocity International Limited does not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

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