

CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions in Part 2 — Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") for the year ended 31 December 2024 and, where appropriate, adopted the recommended best practices set out in the CG Code, save for the deviations set out below:

Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company has not held an annual general meeting since 29 November 2023. Accordingly, none of the Directors retired at the annual general meeting nor re-elected by the Shareholders. The Company will hold an annual general meeting at which the Directors will retire and offer themselves for re-election.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Peng has served as both the chairman of the Board and the president of the Company since 9 November 2022, with the division of responsibilities between chairman and president clearly established and set out in writing.

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Company has not held an annual general meeting since 29 November 2023.

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the interim results for the six months ended 30 June 2024 and the annual results for the financial year ended 31 December 2024; and (ii) publishing the interim report for the six months ended 30 June 2024 and the annual report for the year ended 31 December 2024. Such delays constituted non-compliance with Rules 13.46(2), 13.48(1), 13.49(1) and 13.49(6) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Further to the specific enquiries made by the Company to the Directors, all Directors have confirmed their compliance with the Model Code during the year under review. The shareholdings of the Directors, chief executive and substantial Shareholders are detailed in the "Directors' Report" of this report.

BOARD OF DIRECTORS

As at 31 December 2024, the Board comprises eight Directors, which is chaired by Mr. Zhang Peng, consists of three executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Group and the issuance of independent opinion. Brief biographies of the existing Directors are included in the section headed "Profiles of Directors and Senior Management" of this report.

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

Executive Directors

Mr. Zhang Peng (*Chairman and President*)
Mr. Zhang Lei
Mr. Chen Yin

Non-executive Directors

Mr. Han Shuchang (appointed on 4 March 2025)
Mr. Tang Lunfei (resigned on 4 March 2025)
Mr. Zeng Qiang

Independent Non-executive Directors

Mr. Hui Chun Ho, Eric
Mr. Cui Jian (resigned on 4 March 2025)
Mr. Gao Zhikai
Ms. Zhu Caiqing (appointed on 4 March 2025)

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the memorandum and articles of association of the Company (the "Memorandum and Articles of Association"), the Board is empowered to appoint any person as a Director to fill the casual vacancy or as an additional Director. The Board considers a candidate's experience, skill, knowledge, competency and ability to fulfil duty of care, diligence and fiduciary duty and/or recommendation (if any) by the nomination committee of the Company (the "Nomination Committee").

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing not less than one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the independent non-executive Directors confirmed his/her independence of the Company and the Company considered that, for the year ended 31 December 2024, each of them was independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Each independent non-executive Director confirmed that he/she has no cross directorship or significant links with other Directors through involvements in other companies or bodies and has not held 7th or more listed company directorship.

During the year, two out of three independent non-executive Directors have served the Company for more than 9 years.

Pursuant to the Articles of Association, (i) any Director appointed as an addition to the existing Board or to fill a casual vacancy shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election; and (ii) at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. Accordingly, Mr. Han Shuchang, Ms. Zhu Caiqing, Mr. Zeng Qiang, Mr. Hui Chun Ho, Eric and Mr. Gao Zhikai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other Directors will continue in office.

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All Directors have given sufficient time and attention to the affairs of the Group and, in particular, the non-executive and independent non-executive Directors are responsible to provide the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Shareholders and the Group. The participation of the independent non-executive Directors in the Board meetings and Board committees meetings also provides independent judgement on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have timely access to information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Minutes of Board meetings and Board committees meetings are kept by the company secretary of the Company (the "Company Secretary") and are opened for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and Board committees meetings are recorded in sufficient details for the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are sent to all Directors for their comment and record respectively within a reasonable time after the meetings are held. All Directors are entitled to have access to the Board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by the Directors are given a prompt and full response by the Board.

The Board members have no financial, business, family or other material/relevant relationship with each other. Such balanced Board composition is formed to ensure strong independence across the Board.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior officers in respect of legal actions against the Directors and senior officers.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders.

Under the leadership of the Chairman, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control, risk management and internal control systems. Key terms and conditions are set out in the Directors' services contracts upon their appointment. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to executive Directors and the management of the Group with clear directions, in particular, where management should report back and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Group. Such delegation arrangement is regularly reviewed in order to ensure its effectiveness.

BOARD MEETINGS AND GENERAL MEETINGS

The Board holds meetings regularly and meets at other time as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meetings to maintain an ongoing dialogue with the Shareholders. For the year under review, the Board held five Board meetings.

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The attendance of each Director at various Board, Board committees and general meetings from 1 January 2024 to 31 December 2024 is set out in the following table:

	Meetings Attended/Held					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Environmental, Social and Governance Committee Meeting	General Meeting
Executive Directors						
Mr. Zhang Peng	5/5	N/A	N/A	N/A	1/1	-/-
Mr. Zhang Lei	5/5	N/A	1/1	1/1	N/A	-/-
Mr. Chen Yin	5/5	N/A	N/A	N/A	N/A	-/-
Non-executive Directors						
Mr. Tang Lunfei	5/5	N/A	N/A	N/A	N/A	-/-
Mr. Zeng Qiang	5/5	N/A	N/A	N/A	N/A	-/-
Independent non-executive Directors						
Mr. Hui Chun Ho, Eric	5/5	3/3	N/A	1/1	1/1	-/-
Mr. Cui Jian	5/5	3/3	1/1	1/1	1/1	-/-
Mr. Gao Zhikai	5/5	3/3	1/1	1/1	1/1	-/-

Notice of at least 14 days for regular Board meetings and sufficient notice of reasonable days for ad hoc Board meetings (if any) were given to all Directors so as to ensure that (i) each of them had an opportunity to attend the meetings; (ii) each of them had an opportunity to include matters on the agenda; and (iii) the agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at the meetings to deal with such issues. Where material conflict of interest arises, a physical Board meeting with the attendance of the independent non-executive Directors will be held.

Full Board or Board committees documents were sent to all Directors or committee members at least three days (or number of days which should be reasonable and adequate) before the intended date of a Board meeting or Board committees meeting.

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The management has supplied the Board and its committees with adequate information and explanations so as to enable it to make an informed assessment of the financial and other information put before the Board and its committees for approval. The Management is also invited to attend the Board or Board committees meetings where appropriate.

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Company's businesses and have separate and independent access to senior management of the Company.

DIRECTORS' TRAINING

During the year, all Directors were provided with materials on the Group's business, operations and financial matters as well as regular updates on applicable legal and regulatory requirements. These updates aim at enhancing the Directors' knowledge and skills and assisting them to comply with good corporate governance practices.

In addition, every newly appointed Director will receive an instruction and Directors' training on the first occasion of his or her appointment, so as to ensure that he or she has a proper understanding of the operations and business of the Company, his or her responsibilities under the laws and regulations and especially the governance policies of the Company.

In 2024, the Directors have participated in various training and continuous professional development activities and the summary of which is as follows:

	Types of training
Executive Directors	
Mr. Zhang Peng	A,B
Mr. Zhang Lei	A,B
Mr. Chen Yin	A,B
Non-executive Directors	
Mr. Tang Lunfei	A,B
Mr. Zeng Qiang	A,B
Independent non-executive Directors	
Mr. Hui Chun Ho, Eric	A,B
Mr. Cui Jian	A,B
Mr. Gao Zhikai	A,B

A: attending relevant seminars and/or conferences and/or forums; delivering speeches at relevant seminars and/or conferences and/or forums

B: reading newspapers, journals and articles

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CHAIRMAN AND PRESIDENT

The Chairman and the President are currently held by Mr. Zhang Peng with clear distinction in responsibilities.

The Company deviates from the Code Provision C.2.1 of the CG Code that stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company believes that Mr. Zhang Peng acts as both Chairman and President would provide effective and efficient leadership and overall management of the Group and the Board. The Company considers that the balance of power and authority, accountability and independent decision-making under the present arrangement would not have been impaired in light of the diverse background and experience of the Board members and the division of responsibilities between the Chairman and President has been clearly established and set out in writing.

The Chairman, was responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, so as to ensure that adequate, complete and reliable information was provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings were explained appropriately.

One of the important roles of the Chairman is to provide leadership for the Board. The Chairman is responsible for ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues and adequate information are accurate, clear, complete, reliable and being discussed in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting and ensuring all Directors are properly briefed on issues arising at the Board meetings. He takes into account, where appropriate, any matters proposed by other Directors for inclusion on the agenda. The Chairman may delegate this responsibility to a designated Director or the Company Secretary. The Chairman also takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman promotes a culture of openness and actively encourages the Directors (including non-executive Directors) with different views to voice their concerns, allows sufficient time for discussion of issues and ensures that Board decisions fairly reflect Board consensus under constructive relations between executive and non-executive Directors. The Chairman holds a meeting with the independent non-executive Directors without the presence of other Directors at least annually.

The President, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision D.1.1 of the CG Code, the Management have provided sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

In preparing the financial statements for the year ended 31 December 2024, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgements and estimates that are prudent and reasonable, and prepared accounts on a going concern basis.

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RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain appropriate and effective risk management (including environmental, social and governance risks) and internal control systems in order to safeguard the interest of the Group and the Shareholders, review and monitor the effectiveness of the internal control and risk management systems (including environmental, social and governance risks) covering all material controls, including financial, operational and compliance controls, on an annual basis to ensure that the systems in place are adequate.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The internal audit department of the Company supported the Board and the audit committee of the Company (the "Audit Committee") in reviewing the effectiveness of risk management and internal control systems, performed its functions during the year following an annual audit plan and submitted their reports of their findings to the Board and the Audit Committee at the meetings. The Audit Committee provides independent review on effectiveness of the risk management and internal control systems of the Group and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the Management.

The Board conducted a review and assessment of the effectiveness of the Group's risk management (including environmental, social and governance risks) and internal control systems and procedures during the financial year ended 31 December 2024 by way of discussions with the Management, members of the Audit Committee and the external independent auditor.

The Board is of the view that the existing risk management and internal control systems are adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Board also assessed the effectiveness of the Group's internal audit function and external audit process, and satisfied itself, through the work of its Audit Committee, that the internal audit function is adequately resourced and is effective at providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process is effective.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

As a result of the section headed "Basis for Disclaimer of Opinion — Multiple Uncertainties Relating to Going Concern" in the "Independent Auditor's Report" on pages 59 to 62 of this report, the Company's external auditor did not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2024.

The Directors have reviewed the Group's cash flow projections prepared by the management of the Group which cover a period of not less than 18 months from 31 December 2024 and have given due consideration to the matters that give rise to material uncertainties as to its ability to continue as a going concern. In addition, the Directors have also considered as to whether the Group will be able to achieve the plans and measures as mentioned in Note 3(a)(ii) to the consolidated financial statements for the financial year ended 31 December 2024 in this report.

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The Directors consider that, assuming the success of all assumptions, plans and measures, mentioned in Note 3(a)(ii) to the consolidated financial statements for the financial year ended 31 December 2024 in this report, the Group will have sufficient working capital to finance its operations and meet its obligations as and when they fall due for at least 18 months from 31 December 2024. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Audit Committee has reviewed the facts and circumstances leading to the disclaimer of opinion, considered management's views on the matter, and examined the plans and measures that the Group has implemented (and continues to focus on) to support the going concern assumption adopted in preparing the consolidated financial statements.

The Audit Committee has discussed with the Board and the Group's management regarding the going concern issue, and with the orderly implementation of the plans and measures regarding debt restructuring resolution, and confirmed that it had no objection to the basis on which the management assessed and formed its view regarding the adoption of the going concern assumption in the preparation of the consolidated financial statements.

The Audit Committee also discussed and understood the concerns of the Auditor that uncertainties exist as to whether the Group's management will be able to achieve its plans and measures. There is no disagreement by the Board, the Group's management nor the Audit Committee with the position taken by the Auditor regarding the going concern issue.

Further details on the material uncertainties relating to the Group's going concern, certain plans and measures are set out in Note 3(a)(ii) to the consolidated financial statements for the financial year ended 31 December 2024 in this report.

Save as disclosed above, the Directors were not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this report.

DIVIDEND POLICY

The Board has adopted the "Dividend Policy" on 15 January 2019 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, which provides that subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

The proposed dividend payout shall be based on the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend with reference to the Group's actual and expected financial performance, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business, dividends received from the Company's subsidiaries and associates, the Shareholders' and investors' expectation and industry's norm and any other factors that the Board deems relevant. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Group.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

In order to achieve good corporate governance practices and procedures, the Board has established four Board committees, namely the Audit Committee, the Environmental, Social and Governance Committee, the Nomination Committee and the Remuneration Committee, to oversee the relevant aspects of the Company's affairs and report back to the Board on their decisions, recommendations and findings. All Board committees are provided with sufficient resources to discharge their duties. Each Board committee has a written terms of reference that complies with the CG Code and ESG Reporting Guide which is available on the websites of the Company and the Stock Exchange respectively.

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AUDIT COMMITTEE

Composition

As at 31 December 2024, the Audit Committee comprised three independent non-executive Directors, namely Mr. Hui Chun Ho, Eric (the chairman of the Audit Committee), Mr. Cui Jian and Mr. Gao Zhikai. None of them is a member of the former or existing external auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. The Audit Committee is also authorised to obtain external legal or other independent professional advice if it considers necessary.

Major Responsibilities

The principal functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions of resignation or dismissal of that auditor;
- to review and monitor the independence and objectivity of the external auditors and effectiveness of the audit process in accordance with applicable standards, and to discuss the nature and scope of the audit and related reporting responsibilities with the external auditor before the audit commences;
- to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- to oversee the Company's financial reporting system, risk management and internal control systems; and
- to discuss with the Management about the system of internal control and ensure that Management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training schemes and budget annually.

The Audit Committee also performs corporate governance procedures of the Company, including:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- to review the Company's compliance with the code provisions and disclosure in the Corporate Governance Report of the Company.

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The Audit Committee held three meetings in 2024 and conducted the following activities:

- (i) reviewed the Group's 2023 annual audit arrangement and related issues with external auditor;
- (ii) meeting with proposed new external auditor; and
- (iii) made recommendation to the Board on the new appointment of the external auditor and its remuneration.

The Audit Committee will also meet with the external auditor annually in the absence of the Management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

The Company has satisfied the relevant provision of the CG code in having at least one independent non-executive Director with appropriate professional qualification or accounting or related financial management expertise. Mr. Hui Chun Ho, Eric has the appropriate professional accounting experience and served as a chairman of the Audit Committee during the year.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB6.5 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Composition

The Environmental, Social and Governance ("ESG") Committee was established on 1 December 2021. As at 31 December 2024, the ESG Committee comprised an executive Director, Mr. Zhang Peng (the chairman of the ESG Committee) and three independent non-executive Directors, namely Mr. Hui Chun Ho, Eric, Mr. Cui Jian and Mr. Gao Zhikai.

Major Responsibilities

The primary duties of the ESG Committee include:

- to review the environmental, social and governance vision, objectives and strategies of the Group, review the progress made against related goals and targets annually, and provide recommendations to the Board;
- to review and assess the adequacy and effectiveness of the management framework for environmental, social and governance matters of the Company (if necessary);
- to adopt and update as necessary the Group's policies on environmental, social and governance to ensure compliance with legal and regulatory requirement;
- to review the major trends, as well as risks and opportunities related to environment, society and governance aspect. Report and provide suggestions in the relevant matters that significantly affect the operation of the Group and/or the interest of other important stakeholder;
- to supervise, review, evaluate and report to the Board;

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- to monitor internal practices on Group's environmental, social and governance and provide suggestions for improvement of these practices;
- to review annual Environmental, Social and Governance report and recommend to the Board for approval, and recommend specific actions or decisions for the Board to consider in order to maintain the integrity of the environmental, social and governance report;
- to ensure that the annual Environmental, Social and Governance Report of the Company is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules;
- to determine the appropriate international or national standards (if applicable) for the environment, society and governance, and monitoring and reporting on an annual basis; and
- to review the budgeting for environment, social and governance activities and the allocation of adequate facilities and resources.

NOMINATION COMMITTEE

Composition

As at 31 December 2024, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Cui Jian (the chairman of the Nomination Committee), Mr. Hui Chun Ho, Eric and Mr. Gao Zhikai, and an executive Director, Mr. Zhang Lei.

Major Responsibilities

The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and making recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company;
- identifying and nominating qualified individuals to act as Directors and making recommendations to the Board regarding such matters having due regard to the "Board Diversity Policy" and the "Nomination Policy" of the Company;
- to identify and recommend suitably qualified senior management candidates to the Board, as a supplement to any related vacant positions;
- to review the "Board Diversity Policy" as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the corporate governance report on an annual basis;
- in performing duties, to consider the "Board Diversity Policy" with due regard for the benefits of diversity on the Board;
- to review the "Nomination Policy" for directors and to make disclosure of the summary of the same in annual report of the Company annually;

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- where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:
 - (i) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;
 - (iii) the perspectives, skills and experience that the individual can bring to the Board; and
 - (iv) how the individual contributes to diversity of the Board;
- assessing the independence of the independent non-executive Directors; and
- making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the President.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee shall meet at least once a year (or in accordance with the regulations of regulatory authorities applicable to the Company from time to time) at the time as required to discharge its duties. The meeting shall be convened and chaired by the chairman. For the year ended 31 December 2024, one meeting of the Nomination Committee was held to assess the independence of independent non-executive Directors and structure of the Board and review the renewal of director's service contract, etc.

NOMINATION POLICY

The Board has adopted the "Nomination Policy" on 15 January 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

BOARD DIVERSITY POLICY

The Board has adopted the revised "Board Diversity Policy" on 15 January 2019 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board on an annual basis. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

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The Board achieved gender diversity in compliance with Rule 13.92 of the Listing Rules by the appointment of one female Director on 4 March 2025. To develop a pipeline of potential successors to the Board to achieve gender diversity, the Company has taken into account of diversity perspectives including gender diversity when considering candidates of senior management positions and in workforce hiring process. As at 31 December 2024, the ratio of male and female in the workforce (including senior management) is 75% and 25%, respectively. As such, the Company's workforce has achieved gender diversity between males and females.

MECHANISM FOR THE BOARD TO OBTAIN INDEPENDENT VIEW

The Board has established mechanisms to ensure independent views and input from any Director are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination Committee, to ensure its duly implementation and effectiveness:

- (i) communication channels have been established whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require;
- (ii) the Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually; and
- (iii) the Nomination Committee will conduct the performance evaluation of the independent non-executive Directors annually to assess their contributions.

REMUNERATION COMMITTEE

Composition

As at 31 December 2024, the Remuneration Committee comprised two independent non-executive Directors, namely Mr. Gao Zhikai (the chairman of the Remuneration Committee) and Mr. Cui Jian, and an executive Director, Mr. Zhang Lei.

Major Responsibilities

The primary duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- making recommendations to the Board on the remuneration package of Directors and senior management of the Company; and
- considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The Directors' remuneration is reviewed by the Remuneration Committee from time to time.

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The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to independent professional advice if necessary. For the year ended 31 December 2024, the Remuneration Committee held one meeting and conducted the following activities:

- (i) reviewed the remuneration policy of the Group and Directors' remunerations;
- (ii) reviewed and recommended the remuneration package of individual Directors and senior management of the Company; and
- (iii) performed review for individual package of changes in Board from time to time.

REMUNERATION POLICY

The Group has adopted the remuneration policy for employees at all levels of the Group with the following measures:

- Competitiveness: market competitiveness is assessed by benchmarking against a predetermined target market positioning for comparable jobs including base salary, allowances, bonus and retirement benefits;
- Evaluation: all employees' performance will be fairly assessed once a year; and
- Equity: the Company ensures that its staff are paid in line with the size of the job, individual skills and performance, and free from any forms of bias.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two Directors for the year ended 31 December 2024 (2023: 2 Directors). The emoluments of the remaining three highest paid individuals for the year ended 31 December 2024 (2023: remaining 3 highest paid individuals) are as follows:

	2024 RMB'000	2023 RMB'000
Employees		
— Basic salaries and allowances	2,343	2,331
— Retirement benefit contributions	244	245
— Share-based payment	17	56
	2,604	2,632

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

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COMPANY SECRETARY

For the year ended 31 December 2024, in compliance with Rule 3.28 of Listing Rules, the Company Secretary is qualified and with relevant experience to discharge his responsibilities. Whilst the Company Secretary reports to the Chairman and the Chief Executive Officer, he is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. The Company Secretary's selection, appointment or dismissal are subject to the Board's approval.

For the year ended 31 December 2024, the Company Secretary is an external solicitor and had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training. The primary corporate contact person is Mr. Zhang Peng, Chairman, President and executive Director.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

There were no significant changes in the constitutional documents of the Company during the year ended 31 December 2024.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, the Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, the Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website (www.modernland.hk).

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WHISTLEBLOWING POLICY

The Group has adopted a whistleblowing policy for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns (which will be escalated to the Audit Committee where appropriate), in confidence and anonymity, about possible improprieties in any matter related to the Group.

The whistleblowing policy sets out a reporting mechanism which is designed to help mitigate legal, financial, operational and reputational risks to the Group. The primary objectives of this policy is to provide assurance to anyone who makes a report in good faith that they will not be subjected to retaliation of any kind.

ANTI-CORRUPTION POLICY

The Group has adopted anti-corruption policy to reaffirm its commitment as part of a comprehensive and robust anti-corruption and anti-bribery compliance programs to provide guidance to all relevant parties about compliance with anti-corruption laws. The Group takes a zero tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in our business dealings and corporate relationships.

ANNUAL GENERAL MEETING

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders of not less than twenty-one days prior to the date of the meeting, setting out details of each proposed resolution and other information. The chairman of the general meetings of the Company would explain the procedures for conducting a poll before putting a resolution to vote. Voting results are posted on the websites of the Company and of the Stock Exchange, respectively.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND TO PUT FORWARD PROPOSALS THEREAT

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

- (1) One or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall 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 specified in such requisition.
- (2) The written requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.
- (3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at 18/F, Shanghai Commercial Bank Tower, 12 Queen's Road Central, Central, Hong Kong.

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- (4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.
- (5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, such Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by the Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

PROPOSALS FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in a general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose any person (the "Person") for election as a Director by lodging the following documents at the Company's principal place of business in Hong Kong at 18/F, Shanghai Commercial Bank Tower, 12 Queen's Road Central, Central, Hong Kong:

- (1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and
- (2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

PROCEDURES FOR RAISING ENQUIRIES

The Company, under the leadership of the Chairman, has adopted a Shareholders' communication policy, to ensure that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole:

- (1) the Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited.
- (2) the Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Modern Land (China) Co., Limited
 18/F, Shanghai Commercial Bank Tower
 12 Queen's Road Central, Central, Hong Kong
 Fax: (852) 2187 3619
 Email: ir.list@modernland.hk

- (3) the Shareholders may also make enquiries with the Board at general meetings of the Company.

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DISCLOSURE RELATING TO DISCLAIMER OF OPINION

(a) Details of the Audit Modification

As disclosed in the section headed “Basis for Disclaimer of Opinion” in the Independent Auditor’s Report and in Note 3(a)(ii) to the consolidated financial statements, the Company’s independent auditor, BDO Limited, issued a disclaimer of opinion on the Group’s consolidated financial statements for the year ended 31 December 2024. The disclaimer arises from multiple material uncertainties relating to the Group’s ability to continue as a going concern, notably:

- (1) The Group incurred a net loss of RMB7,559,816,000 for the year ended 31 December 2024.
- (2) As at 31 December 2024, the Group had net current liabilities of RMB26,856,906,000 and capital deficiency of RMB22,649,773,000.
- (3) Included in current liabilities as at 31 December 2024 were:
 - (i) bank and other borrowings of RMB7,431,654,000.
 - (ii) corporate bonds of RMB871,552,000.
 - (iii) senior notes of RMB13,499,634,000.
 - (iv) provision for claims and litigations of RMB795,384,000.
- (4) The Group’s bank balances and cash as at 31 December 2024 amounted to only RMB87,166,000.
- (5) The Group breached certain covenants relating to bank and other borrowings totaling RMB161,462,000 and was in default on repayments of RMB4,845,997,000 of borrowings as at 31 December 2024. Lenders are entitled to demand immediate repayment and take possession of pledged assets.
- (6) The Company did not fulfill settlement obligations on certain senior notes and corporate bonds that matured in 2023 and 2024, and failed to pay interest on other notes through 2024 and beyond. Senior noteholders are now entitled to demand immediate repayment, although none have done so as at the approval date of these statements.
- (7) The Group is involved in various litigation and arbitration cases, for which provision has been made.
- (8) The PRC real estate sector has continued to face a significant downturn, impacting the Group’s ability to generate cash flows and refinance.
- (9) All these conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

If the Group cannot successfully execute its plans, adjustments would be required to write down asset values, provide for further liabilities, and reclassify non-current assets and liabilities as current.

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(b) Management's Position and Basis on Major Judgmental Areas

Despite the above, the Directors are of the view that preparing the consolidated financial statements on a going concern basis remains appropriate, based on the following considerations and ongoing plans:

- (1) Active Debt Restructuring and Negotiation:
 - (i) All senior notes were restructured in 2022 into five tranches with maturity dates between 30 December 2023 and 30 December 2027. Further amendments were made in 2023, and management continues to negotiate with noteholders for further extensions or restructuring.
 - (ii) The Group reached agreements with bondholders to extend the maturity of corporate bonds to 31 January 2026, and is seeking approval to further extend to 30 July 2026.
 - (iii) Ongoing discussions with bank and other lenders to renew borrowings and avoid immediate repayment demands.
- (2) Operational and Cash Flow Management:
 - (i) Acceleration of pre-sales and sales of properties under development and completed properties, and pursuit of outstanding receivables to enhance liquidity.
 - (ii) Active cost control and containment of administrative and capital expenditures.
 - (iii) Close coordination with suppliers and constructors to ensure project delivery and agree payment arrangements.
- (3) Additional Financing and Asset Realisation: Seeking new sources of financing from existing shareholders and external investors, and considering disposal of equity interests in project companies.
- (4) Litigation and Claims Resolution: Actively seeking amicable resolutions to outstanding claims and litigations for which adequate provisions have been made.
- (5) Macroeconomic and Market Factors: The Group's projects are predominantly located in higher tier PRC cities, which are considered more resilient in the current market.

The Directors have reviewed cash flow projections covering a 15-month period from the approval date of the financial statements, and believe that, assuming successful implementation of these measures, the Group will have sufficient working capital to finance operations and meet its obligations as they fall due.

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(c) Audit Committee's View

The Audit Committee has reviewed the facts and circumstances leading to the disclaimer of opinion, considered management's views on the matter, and examined the plans and measures that the Group has implemented (and continues to focus on) to support the going-concern assumption adopted in preparing the consolidated financial statements.

The Audit Committee has discussed with the Board and the Group's management regarding the going concern issue, and with the orderly implementation of the plans and measures regarding debt restructuring resolution, and confirmed that it had no objection to the basis on which the management assessed and formed its view regarding the adoption of the going-concern assumption in the preparation of the consolidated financial statements.

The Audit Committee also discussed and understood the concerns of the Auditor that uncertainties exist as to whether the Group's management will be able to achieve its plans and measures. There is no disagreement by the Board, the Group's management nor the Audit Committee with the position taken by the Auditor regarding the going concern issue.

(d) Management's Plans and Measures to Address the Disclaimer of Opinion

The Company is taking the following steps and measures to address these uncertainties, with regular review and updates to the Board:

(1) Repayment or Extension of Senior Notes:

The Group is actively negotiating with senior noteholders to (i) repay the principal amounts together with accrued interest of each tranche of the senior notes at their respective maturity or due dates, or (ii) obtain consents from senior noteholders to further extend the maturity or due dates of the relevant notes.

(2) Extension and Repayment of Corporate Bonds:

The Group has reached an agreement with corporate bondholders to extend the maturity date to 31 January 2026, and is seeking approval to further extend the corporate bonds' maturity date to 30 July 2026. The Group will endeavor to repay the corporate bonds by the extended maturity date or, if necessary, seek further extension beyond 30 July 2026.

(3) Renewal of Other Borrowings and Maintaining Relationships with Finance Providers:

The Group is in ongoing discussions with its existing lenders to renew certain borrowings. The Group aims to maintain stable relationships with its current finance providers, so that they will continue to provide finance and not demand immediate repayment of bank and other borrowings until the Group has completed its property construction projects and generated sufficient cash inflows.

(4) Maintaining Business Relationships with Constructors and Suppliers:

The Group is committed to maintaining normal and continuing business relationships with major constructors and suppliers, seeking to agree on payment arrangements and ensure that construction progress can be completed as scheduled.

(5) Acceleration of Pre-sales, Sales, and Receivables Collection:

The Group is implementing measures to accelerate the pre-sales and sales of properties under development and completed properties, as well as to expedite the collection of outstanding sales proceeds and other receivables.

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(6) Securing Additional Financing:

The Group is seeking to obtain additional new sources of financing, including through new investors, existing shareholders, and financial institutions.

(7) Implementation of Business Plan and Cost Control:

The Group continues to implement its business plan and cost control measures to improve its working capital and cash flow position, including stringent expense management and the prioritisation of critical expenditures.

(8) Resolution of Claims and Litigations:

The Group is proactively seeking amicable solutions and settlements regarding the charges and payment terms in respect of claims and litigations that have not yet reached a definite outcome.

The Company will publish an announcement every three months from the date of this report to update shareholders and investors on the progress of these plans until the disclaimer of opinion is resolved.

(e) Steps Taken Since Prior Year and Reasons for Repeated Modification

The Company was delayed in the publication of the annual report for the year ended 31 December 2023. Since the publication of the previous annual report in November 2023, the Company has:

- (1) Completed publication of all outstanding results as required under resumption guidance.
- (2) Delivered and handed over a significant number of housing units under government “Ensured Delivery” policy.
- (3) Maintained constructive engagement with creditors and stakeholders, including ongoing negotiations with noteholders, bondholders, and lenders.
- (4) Pursued new financing, asset disposal, and strategic investment discussions.

However, despite these efforts, the disclaimer of opinion remains because the Group continues to face severe liquidity pressure, significant overdue liabilities, and a challenging operating environment in the PRC real estate sector. Material uncertainties as to the successful execution of the necessary restructuring and refinancing measures persist, and the Group’s financial position as at 31 December 2024 continues to reflect a substantial net capital deficiency. The Board acknowledges that resolution of the going concern uncertainty will depend on the successful implementation of these plans and a stabilisation of the operating and market environment.

Further details on the material uncertainties relating to the Group’s going concern and their mitigation measures are set out in Note 3(a)(ii) to the consolidated financial statements in this report.