



YONGAN HOLDINGS

浙江永安融通控股股份有限公司
ZHEJIANG YONGAN RONGTONG
HOLDINGS CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8211



2023
Annual Report

** For identification purpose only*

CONTENTS

Corporate Information	2
Highlights	3
Chairman’s Statement	4
Management Discussion and Analysis	6
Directors and Senior Management	12
Directors’ Report	15
Supervisors’ Report	22
Corporate Governance Report	23
Independent Auditor’s Report	39
Consolidated Statement of Profit or Loss and Other Comprehensive Income	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50
Financial Summary	118

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which the directors of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

** English name is for identification only*

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lou Lijiang (*Chairman of the Board*)
Ms. He Lianfeng (*Chief Executive Officer*)
Mr. Hu Hua Jun

NON-EXECUTIVE DIRECTOR

Mr. Xia Zhenbo (*Deputy Chairman of the Board*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Weidong
Mr. Yuan Lingfeng
Mr. Zhang Jianyong

SUPERVISORS

Ms. Wang Ai Yu (*Chairman of Supervisory Committee*)
Mr. Chen Wei

INDEPENDENT SUPERVISOR

Mr. Pan Xing Biao

COMPANY SECRETARY

Ms. Chen Yen Yung

AUDIT COMMITTEE

Mr. Yu Weidong (*Chairman of Audit Committee*)
Mr. Yuan Lingfeng
Mr. Zhang Jianyong

REMUNERATION COMMITTEE

Mr. Yuan Lingfeng (*Chairman of Remuneration Committee*)
Mr. Yu Weidong
Mr. Zhang Jianyong
Mr. Lou Lijiang

NOMINATION COMMITTEE

Mr. Zhang Jianyong (*Chairman of Nomination Committee*)
Mr. Yu Weidong
Mr. Yuan Lingfeng
Ms. He Lianfeng

LEGAL ADDRESS

Xiwu Industrial Park,
Hutang Street,
Keqiao Qu, Shaoxing,
Zhejiang Province, PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2701-08, 27/F, Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Ms. Chen Yen Yung
Mr. Hu Hua Jun

PRINCIPAL BANKER

China Construction Bank Corporation
Shaoxing Yangxun Qiao Branch
586 Yang Jiangxi Lu, Keqiao Qu,
Shaoxing City, Zhejiang Province, PRC

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited
17/F., Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

DOMESTIC AUDITOR

浙江中興會計師事務所(特殊普通合夥)
(Zhejiang Zhongxing Certified Public Accountants
(Limited Liability Partnership)*)
Room 1512, Yizhao Dasha,
No 172, Feng Linxi Road, Shaoxing City,
Zhejiang Province, PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square, 338 King's Road,
North Point, Hong Kong

LEGAL ADVISER

As to Hong Kong law
Tung & Co
Office 1601, 16/F., LHT Tower,
31 Queen's Road, Central, Hong Kong

STOCK CODE

8211

HIGHLIGHTS

For the year ended 31 December 2023,

- revenue of the Group decreased from approximately RMB79.00 million in year 2022 to approximately RMB55.11 million in year 2023, representing a decrease of approximately 30.24% when compared to the year ended 31 December 2022;
- loss for the year was approximately RMB26.74 million; and
- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the “**Board**” or the “**Directors**”) of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd*) (the “**Company**”), I am pleased to present to our shareholders the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023.

FINANCIAL PERFORMANCE

For the year ended 31 December 2023, the Group recorded a loss after tax of approximately RMB26.74 million (2022: approximately RMB35.58 million), representing a decrease of approximately RMB8.84 million or 24.85% when compared with the same period in 2022. The Group's basic and diluted loss per share for 2023 was approximately RMB2.51 cents (2022: approximately RMB3.35 cents).

Revenue of the Group decreased by approximately RMB23.89 million or 30.24% mainly due to decrease of domestic sales of woven fabrics and subcontracting fee income. The Group incurred gross loss of approximately RMB6.19 million during the year ended 31 December 2023 mainly due to the increase in the cost of raw materials, labour cost and dyeing cost etc. In addition, the international geopolitics (such as the ongoing Russia-Ukraine conflict, the unexpected Israel-Palestine conflict and the trade disputes between China and the United States) in 2023 and the difficulty for global economy moving forward after post-epidemic led to the shrinking of both domestic and overseas' demand for the woven fabrics of the Group.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

OUR STRATEGIES GOING FORWARD

2023 is a year of rapid changes in international geopolitics (such as the ongoing Russia-Ukraine conflict, the unexpected Israel-Palestine conflict and the trade disputes between China and the United States) and full of difficulty for global economy moving forward. The Group is engaged in manufacturing and sales of woven fabrics which is the upper stream of Garment. As such, the demand and supply of woven fabrics is correlated to that of the Garment. Since 2023, garment exports have fluctuated due to the backlog of overseas inventories and weakening demand. Vietnam, as one of the countries with rapid growth in textile exports in recent years, also showed a large downward trend from January to November 2023, reflecting the greater pressure on garment exports, of which the weakening orders in the European and American markets were the main reasons. In terms of domestic garment exports, the decline in exports of textile yarns and clothing and clothing accessories from May to July 2023 expanded, and the pressure on new orders from enterprises increased. After August 2023, the decline in export growth narrowed. At present, the overall decline in clothing exports is in the stage of narrowing month by month, and as the destocking of overseas brands is coming to an end, the proportion of new orders is increasing, and the inflection point is expected to appear in the first half of 2024. In addition, the surge in energy prices and the huge fluctuations in commodity prices also have brought great uncertainty to the operation of enterprises in the PRC.

In such an unfavorable external environment, there has been a shrinking of demand, and the fierce competition among peers has indeed affected the Group's performance.

In order to relieve the difficulties in 2023 and enhance the Group for ongoing operation, the Group has continued the following strategies:

1. Research fashion trends, increase investment in research and development, strive to develop more fabric products that are in line with the current popularity, achieve misplaced competition with competitors, and get rid of endless price competition.
2. Improves production efficiency and stabilize product quality. In 2023, the Group made certain adjustments to the personnel structure, reducing redundancies, improving production efficiency and saving costs.
3. Continues the development of domestic and export sales of woven fabrics of the Group to get rid of the risk of a single market. Strive for a rapid return to pre-pandemic levels in the context of China's economic recovery. In the case of China's reopening, we strive to continue to expand the scale of export sales and invite overseas customers to visit our Group for gaining potential customers' confidence of our product; and the Group is also planning to actively participate in overseas offline exhibitions, making export sales a new growth point of the Group.

CHAIRMAN'S STATEMENT

4. Optimize the structure of the supply chain and improve the operation of the supply chain.
5. On 22 December 2023, the Company entered into an equity transfer agreement (“**Equity Transfer Agreement**”) with a related party to dispose the Group’s equity interest in a subsidiary, which is an investment holding company of an associate (“**the Target Group**”) (the “**Disposal**”). The Disposal presents a favorable opportunity for the Group to realise its investment in the Target Group and redirect its resources towards its core business. The net proceeds from the Disposal will be utilised as general working capital of the Group, details of which were disclosed in the announcement and circular of the Company dated 3 January 2024 and 5 February 2024 respectively.

PROSPECTS

The Group is principally engaged in the manufacture and sales of woven fabrics. Tepia, being the main investment of the Group, is principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. The relevant systems and services are used in waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, water environment management and aquatic ecological restoration. It is listed on the NEEQ (Stock Code: 838941) and based in Beijing, the PRC.

As discussed in the paragraph headed “Business and Operation Review — Water management-related business by associates” under the section of “Management Discussion and Analysis” on page 9 in respect of the reasons of the Disposal, the Company has continued to carry out measures to increase efficiency, reduce cost and improve liquidity as the Company is principally engaged in the textile industry in the PRC which still needs time to recover. The Directors are of the view that the water management business of the Tepia Group is facing weak demand and a challenging operating environment. Therefore, the Disposal presents a favorable opportunity for the Group to realise its investment in the Target Group and redirect its resources towards its core business. The net proceeds from the Disposal will be utilised as general working capital of the Group.

Further, due to land resumption implemented by the local authorities, the Group’s operations were recently relocated on 5 January 2024. For more details about the land resumption, please refer to the announcement and the circular of the Company dated 3 January 2024 and 5 February 2024 respectively. As part of the relocation process, the Company has disposed certain production machines and equipment that were over 20 years old. This presents an opportunity for the Company to upgrade its product offerings and increase efficiency in production process. By utilizing the compensation proceeds to purchase new machines that are more efficient in producing high-value products, the Company can improve the market competitiveness of its product offerings and enhance profitability.

The Directors considers the Disposal aligns with the Group’s business strategies of concentrating resources on its core business in the PRC textile industry. The Directors expect that by utilising the proceeds as mentioned above, the Group will be able to deliver improved financial results to its Shareholders. The Board believes that there will be a favourable external environment in the post-pandemic era. The management of the Group will continue to uphold the principle of maximising shareholder interests, saving costs, increasing revenue, providing high-quality products, and earning greater profits.

APPRECIATION

On behalf of the Board, I wish to extend our appreciation to our customers, vendors, banks and shareholders for their enthusiasm and support, and to every employee for their hard work and dedication to the Group throughout the year.

Lou Lijiang
Chairman

Zhejiang, the PRC, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross loss

During the year ended 31 December 2023 (the “**Current Period**”), the Group recorded a revenue of approximately RMB55.11 million, representing a decrease of approximately 30.24% when compared to the same period in 2022. The gross loss for the Current Period was approximately RMB6.19 million while there was gross loss of approximately RMB12.07 million in 2022 which mainly due to decrease of cost of raw materials and wages.

Other income, gains and losses, net

During the Current Period, the other income , gains and losses, net decreased by approximately RMB0.75 million or approximately 25.47% when compared to the same period in 2022 mainly due to gain from change in fair value of financial asset at FVTPL incurred in 2022.

Selling and distribution costs

During the Current Period, the selling and distribution costs decreased slightly by approximately RMB0.29 million or approximately 8.60% mainly due to decrease of sales commission which was in line with decrease of sales revenue.

Administrative expenses

During the Current Period, there was no material changes in administrative expenses.

Share of result of an associate

Share of result of an associate of approximately RMB5.92 million represents share of loss from the consolidated result of an associate, 北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd.*) (“**Tepia**”) and its subsidiary (“**Tepia Group**”). Tepia incorporated in the PRC and is listed on the NEEQ (Stock Code: 838941) of which the Group has acquired the interest of 41.67% since 20 August 2019. During the Current Period, the revenue of Tepia decreased by approximately RMB5.25 million or approximately 21.98% when compared to the same period in 2022 mainly due to decrease of revenue from provision of maintenance and management services of reservoirs. In late 2022, the outbreak of COVID-19 epidemic in China and the Chinese New Year Holidays during late January 2023 caused the delay of completion of certain projects and the delay of signing of certain project contracts led to decrease of revenue in the Current Period when compared to the same period in 2022. Gross profit decreased by approximately RMB1.13 million or approximately 23.57% when compared to the same period in 2022 was in line with decrease of revenue. Other revenue decreased by approximately RMB1.30 million or approximately 66.83% during the Current Period mainly due to decrease of bank interest income. During Current Period, selling expenses decreased by approximately RMB0.88 million or 13.16% when compared to the same period in 2022 mainly due to decrease in staff salary and staff related expenses and advertising expenses. Administrative expenses increased by approximately RMB7.89 million or approximately 170.78% when compared to the same period in 2022 mainly due to increase of rental expenses and impairment loss recognised in respect of accounts receivables and other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs/Amount due to immediate holding company

On 22 December 2023, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Fourth Supplemental Debt Repayment Agreement, pursuant to which, (i) as at the date of the Fourth Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli in the total outstanding amount of approximately RMB218,475,000 and Guizhou Yongli agreed to waive part of the debt in the amount of RMB18,000,000; upon the waiver of part of the amount due to immediate holding company, the Company will be indebted to Guizhou Yongli in the total outstanding amount of approximately RMB199,330,000, which would be settled by the Company in accordance with the Fourth Supplemental Debt Repayment Agreement. The Fourth Supplemental Debt Repayment Agreement will take effect after all the following conditions are fulfilled:

- (a) the Land Resumption Agreement entered into by the Company on 20 December 2023 is completed and all the compensation has been received; details of which were disclosed in the announcement of the Company dated 3 January 2024;
- (b) the Fourth Supplemental Debt Repayment Agreement is approved by the shareholders on an extraordinary general meeting in accordance with the request of the GEM Listing Rule;
- (c) approval from the relevant parties is obtained according to the GEM Listing Rule; and
- (d) conditions (i) to (iii) are fulfilled on or before 5:00 p.m. on 30 April 2024.

On 31 December 2023, the carrying amount of the amount due to the immediate holding company immediately before the modification were approximately RMB33,726,000. According to the Fourth Supplemental Debt Repayment Agreement, the fair value of the liability immediately following the modification are approximately RMB199,330,000. These caused a decrease of approximately RMB165,604,000 in other reserve in the consolidated statement of changes in equity during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group has repaid the principal of approximately RMB117,765,000 (2022: RMB1,145,000).

During the year ended 31 December 2023, no impute interest was estimated for the interest free loan due to immediate holding company as all the outstanding amount due to immediate holding company was expected to be settled in 2024 according to the Fourth Supplemental Debt Repayment Agreement.

Loss for the year

Loss for the Current Period was approximately RMB26.74 million, decreased by approximately RMB8.84 million or 24.85% when compared to the same period in 2022.

Loss per share

The respective loss per share for the Current Period and 2022 were approximately RMB2.51 cents and approximately RMB3.35 cents respectively.

Interest in an associate

On 22 December 2023, the Company entered into the Equity Transfer Agreement with a related party to dispose the Group's equity interest in a subsidiary, which is an investment holding company of an associate. The asset attributable to the subsidiary, which is expected to be sold within twelve months, have been classified as assets classified as held for sale and is presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant asset and accordingly, no impairment loss has been recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

The asset of the subsidiary classified as assets classified as held for sale is as follows:

	2023 RMB'000
Investment in an associate classified as held for sale	27,172
Cash and bank balance	1
<hr/>	
Assets of a disposal group reclassified as held for sale	27,173

Inventories

As at 31 December 2023 inventories was approximately RMB12.40 million (31 December 2022: approximately RMB19.04 million) which representing aggregation of inventories in various status being raw materials, working-in-progress and finished good of woven fabrics. Raw materials as at 31 December 2023 decreased by approximately RMB210,000 or approximately 20.88% when compared with that at as 31 December 2022. Finished good of woven fabrics as at 31 December 2023 decreased by approximately RMB4.71 million or approximately 33.94% when compared with that as at 31 December 2022. Work-in-progress as at 31 December 2023 decreased by approximately RMB1.73 million or approximately 41.48% when compared with that at 31 December 2022. During the Current Period, the decrease of inventories was in line with the decrease of sales of woven fabrics.

Trade and other receivables

As at 31 December 2023, trade and other receivables was approximately RMB25.30 million (31 December 2022: approximately RMB25.96 million) decreased by approximately RMB0.65 million or approximately 2.52% when compared with that as at 31 December 2022 mainly due to trade receivables decreased by approximately RMB8.00 million or approximately 44.96% which was in line with that of decrease of sales of woven fabrics and subcontracting fee income during the Current Period.

Bank balances and cash

At as 31 December 2023, bank balances and cash was approximately RMB103.75 million (31 December 2022: approximately RMB46.98 million), representing an increase of approximately RMB56.77 million when compared with that as at 31 December 2022 mainly due to certain of land resumption compensation received from the local government authorities according to the Land Resumption Agreement entered into between Company and the government authority on 20 December 2023, details of which were disclosed in the announcement of the Company dated 3 January 2024.

Assets classified as held for sale

As at 31 December 2023, assets classified as held for sales represents transactions made in December 2023 under the Land Resumption Agreement entered into on 20 December 2023 and the Equity Transfer Agreement entered into on 22 December 2023, details of which were disclosed in note 22 to the consolidated financial statements and the announcement the Company dated 3 January 2024.

Trade and other payables

As at 31 December 2023, trade and other payables was approximately RMB14.69 million (31 December 2022: approximately RMB21.27 million), representing a decrease of approximately RMB6.58 million or approximately 30.95% which was in line with decrease of purchase of raw materials due to dropping of revenue.

Contract liabilities

As at 31 December 2023, contract liabilities represents receipt in advance from customers was approximately RMB3.93 million (31 December 2022: approximately RMB3.09 million), representing an increase of approximately RMB0.83 million or approximately 26.93% mainly due to sales orders placed by customers during the latest few months ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Deferred income

As at 31 December 2023, deferred income of approximately RMB0.87 million (31 December 2022: approximately RMB1.03 million) represents part of the government subsidy of approximately RMB1,589,000 which was received by the Group in 2020 for encouraging replacement of low productivity machinery and equipment. The amount has been treated as deferred income and transferred to other income over the useful lives of the relevant assets. The policy has resulted in a credit to the other income in the Current Period of approximately RMB159,000 (2022: approximately RMB159,000).

BUSINESS AND OPERATION REVIEW

Manufacture and sales of woven fabrics and provision of woven fabrics subcontracting services

The textile sector is the Group's main business. Although China has successfully controlled the outbreak of COVID-19 epidemic and gradually released the COVID-19 pandemic prevention control in late 2022 and early 2023, the textile industry still needs time to recover. During the Current Period, both domestic and export sales of woven fabrics of the Group decreased by approximately 25.34% and approximately 45.60% respectively. In addition, the rise of electricity and labour cost continue to impact the Group and the peer manufacturers. Due to the expectation that the challenging business environment may persist at least in the coming few quarters, the Group understands that it is important to preserve its financial strength. In this regard, measures will continue to be carried out to increase efficiency, reduce cost and improve liquidity.

Water management-related business by associates

Tepia mainly engaged in small and medium-sized reservoirs as the starting point, focusing on "small water conservancy projects", make full use of existing customers and technology accumulation, for water conservancy, water government customers, to provide small water conservancy project operation and maintenance management scheme design, management system development, equipment installation and commissioning, aerial three dimensional data, property management, repair and maintenance. In 2021, Tepia further expanded its business area to the field of industrial circulating water treatment. Through equipment based on electrochemical and electromagnetic mixing physical technology, it solves the problems of industrial circulating water fouling, corrosion, bacteria and algae breeding, and can help customers achieve water saving, energy saving and consumption reduction. The business is mainly aimed at enterprise customers in electric power, chemical industry, iron and steel and machinery manufacturing industries. During the Current Period, due to the outbreak of COVID-19 epidemic in China in late 2022 and the Chinese New Year Holidays during late January 2023, the completion of certain projects has been delayed and the delay of signing of certain project contracts also lead to the delay in commencement of certain projects, hence the revenue decreased in the Current Period when compared to the same period in 2022. In addition, Tepia has concentrated in the business of industrial circulating water treatment, during the Current Period, the revenue on this part of business increased sharply.

The Group has been accounting for the share of results from the Tepia and its subsidiaries ("**Tepia Group**") since its acquisition was completed in August 2019. However, since then, the Tepia Group has experienced a decline in revenue and has been consistently incurring losses. Consequently, the return on the Group's investment in the Tepia Group has been unsatisfactory. Additionally, the slow recovery of the PRC economy and the tightened budgets of local governments, who were previously major customers of the Tepia Group, have adversely affected the demand for its services and the timely payment progress. These challenging operating conditions have also resulted in intense price competition during the project tendering process for the Tepia Group, leading to fewer large-scale and profitable projects in the pipeline.

Based on the abovementioned, the Directors are of the view that the water management business of the Tepia Group is facing weak demand and a challenging operating environment. Therefore, on 22 December 2023, The Company entered into the Equity Transfer Agreement to dispose the equity interest on Zhejiang Shaoxing Huiju in order to dispose of the Tepia Group ("**the Disposal**"). The Directors are of the view that the Disposal presents a favorable opportunity for the Group to realise its investment in the Tepia Group and redirect its resources towards its core business.

MANAGEMENT DISCUSSION AND ANALYSIS

Production Facilities

During the year ended 31 December 2023, the Group spent approximately RMB28,000 (2022: RMB136,000) for renovation of factory buildings and additions of office equipment and approximately RMB327,000 for additions of plant and machinery (2022: RMB37,000).

Product research and development

During the year ended 31 December 2023, the Group continued to innovate and develop new products for meeting the customers' need and enhancing sales orders from customers.

Sales and marketing

During the year ended 31 December 2023, the Group actively participated in various trade fairs held in PRC so as to gain exposure in the fabrics market and to popularise the Group's new products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2023, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, Guizhou Yongli.

As at 31 December 2023, the Group's current assets and net current assets were approximately RMB413.96 million (31 December 2022: approximately RMB100.93 million) and approximately RMB136.98 million (31 December 2022: approximately RMB57.63 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 1.49 (31 December 2022: approximately 2.33). The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 0.8% (2022: 19.49%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group did not have any capital commitments (2022: nil) and significant investments held (2022: nil).

MATERIAL DISPOSALS

With reference to note 22 to the consolidated financial statements in respect of assets classified as held for sale, (i) on 20 December 2023, the Company entered into the Land Resumption Agreement with the Local Authorities, pursuant to which the Local Authorities have agreed to resume, and the Company has agreed to surrender, the Resumed Land, Construction and Fixtures at a total Compensation of approximately RMB294.4 million payable by the Local Authorities to the Company ; and (ii) on 22 December 2023, the Company entered into the Equity Transfer Agreement to sell the equity interest on Zhejiang Shaoxing Huiju, a wholly owned subsidiary of the Company and the investment holding company of Beijing Tepia, an associate of the Group at a consideration of approximately RMB32,500,000. On 22 March 2024, an extraordinary general meeting ("EGM") was held to approve the transactions under the Equity Transfer Agreement. The resolutions set out in the notice of the EGM were duly passed by the independent shareholders of the Company by way of poll at the EGM held on 22 March 2024. Details of the above two transactions were disclosed in the announcement and the circular of the Company dated 3 January 2024 and 5 February 2024 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Segment information of the Group is set out in note 9 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any material contingent liabilities.

CHARGES ON GROUP ASSETS

As at 31 December 2023 and 2022, the Group did not have any charges on assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2023, the Group had 154 employees (31 December 2022: 241), comprising 5 (31 December 2022: 3) in research and development, 9 (31 December 2022: 8) in sales and marketing, 118 (31 December 2022: 186) in production, 10 (31 December 2022: 26) in quality control, 5 (31 December 2022: 5) in management, and 7 (31 December 2022: 13) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with most of the transactions denominated and settled in Renminbi (“RMB”). However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Group’s expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, if necessary, the Group will use forward contracts, foreign currency borrowings and other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lou Lijiang (婁利江先生) (“Mr. Lou”), aged 36, is currently the Chairman and executive Director of the Company and is responsible for the strategic planning, corporate investment and overall management of the Company. He graduated from Zhejiang Institute of Finance and Economics (currently named Zhejiang University of Finance and Economics) (浙江財經學院(目前名稱為浙江財經大學)) with the bachelor’s degree in Insurance in June 2010. From May 2011 to December 2015, he worked at the loan department of Shaoxing Keqiao Yongli Small Loan Co., Ltd.* (紹興市柯橋區永利小額貸款股份有限公司), a subsidiary of Zhejiang Yongli and with the last position as a deputy general manager. From January 2016 to December 2020, he worked as a general manager of the investment department of Zhejiang Yongli. In January 2021, he joined the Company and is working as a deputy general manager of the Company. Mr. Lou has been appointed as an executive Director of the Company at the extraordinary general meeting held on 30 July 2021 and elected as a Chairman of the Board on the same day.

Ms. He Lianfeng (何連鳳女士), (“Ms. He”), aged 50, is currently an executive Director, Chief Executive Officer and a general manager of the Company. She is responsible for the sales and production of the Company. Before joining the Company, she acted as the workshop director of Zhejiang Yongli Warp Knitting Co. Ltd. from January 1990 to July 2007, the general manager assistant of Zhejiang Yongli Warp Knitting Co. Ltd. from August 2007 to February 2013. She is familiar with the trends of textile market in the PRC and has gained more than 30 years of valuable experience in production management in textile enterprises. In March 2013, she joined the Company as the deputy general manager and was appointed as executive Director and elected as deputy Chairman on 10 March 2014. She resigned as a deputy Chairman of the Board on 28 February 2017. Ms. He has been re-appointed as executive Director at the annual general meeting held on 17 June 2022.

Mr. Hu Hua Jun (胡華軍先生) (“Mr. Hu”), aged 38, is currently an executive Director of the Company. He is responsible for all secretarial work of the Chairman and the routine management of administrative department. Prior to joining the Company, Mr. Hu worked in the finance department and the general manager’s office of Zhejiang Yongli from July 2008 to May 2010 and from May 2010 to December 2010, respectively. He received a bachelor degree in Accounting at Economics and Management Faculty in University of South China, Hunan (湖南南華大學). He joined the Company in December 2010 and was re-appointed as an executive Director at the AGM held on 18 May 2021.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Xia Zhenbo (夏震波先生) (“**Mr. Xia**”), aged 36, is currently a deputy Chairman and a non-executive Director of the Company. He graduated from the University of Wales, Bangor with the degree of Master of Science in Banking and Finance in September 2011. From October 2011 to September 2018, he worked successively as an officer at the corporate finance department and administrative department of Zhejiang Yongli Industrial Group Co., Ltd.* (浙江永利實業股份有限公司) (“**Zhejiang Yongli**”), the ultimate holding company of the Company. In July 2019, he joined Guizhou Yongli, the immediate holding company of the Company as a financial controller. As at the date of this document, Mr. Xia is beneficially interested in 640,000 H Shares. Mr. Xia has been appointed as a non-executive Director of the Company at the EGM held on 6 January 2022 and elected as a deputy Chairman of the Board on the same day.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Weidong (余偉東先生) (“**Mr. Yu**”), aged 55, is currently an independent non-executive Director of the Company. He graduated from Zhejiang Institute of Finance and Economics (浙江財經學院) with the bachelor’s degree in Accountancy in July 2001. From July 1992 to December 1999, Mr. Yu worked as an audit officer of Shaoxing County Audit Office, a department under Shaoxing City Audit Bureau (紹興縣審計事務所(紹興市審計局屬下之部門)). From December 1999 to December 2017, he served as vice director of Shaoxing Xingye CPA Firm* (紹興興業會計師事務所). Since December 2017, he has been a director of Shaoxing Zhongjing CPA Firm* (紹興中景會計師事務所). Mr. Yu has been granted a certificate of senior accountant (高級會計師) in December 2003. He has registered as a Chinese Certified Public Accountant (中國註冊會計師) since February 1998, as a Chinese Certified Valuer (中國註冊評估師) since June 1998 and as a Chinese Certified Tax Agent (中國註冊稅務師) since June 1999. He is now a practising Chinese Certified Public Accountant. He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 30 July 2021.

Mr. Zhang Jianyong (章建勇先生) (formerly named **Zhang Jianyong** (章劍勇)) (“**Mr. Zhang**”), aged 57, is currently an independent non-executive Director of the Company. He graduated from Hangzhou City Law School* (杭州市法律學校) (currently named Hangzhou Normal University* (杭州師範大學)) with a certificate of professional in law in July 1990. He also graduated from the online education faculty of Southwest Jiaotong University (西南交通大學) with a certificate of professional in law in January 2007. From July 1990 to May 1996, Mr. Zhang worked as a clerk at the legal department of the People’s Government of Meishan Village Yuecheng Qu, Shaoxing City* (紹興市越城區梅山鄉人民政府). From June 1996 to August 2000, he worked as a lawyer of Yueshao (Shaoxing) Law Firm* (越紹(紹興)律師事務所). From September 2000 to October 2010, he served as a senior partner of Zhejiang Tianyun Law Firm* (浙江天銳律師事務所). Since October 2010, he has been a senior partner of Zhejiang Jianhu Law Firm* (浙江鑒湖律師事務所). Mr. Zhang was granted a certificate as a Chinese Lawyer (中國律師) in April 1994 and has been registered as a practising Chinese Lawyer since June 1996. He is now a practising Chinese Lawyer (中國執業律師). He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 6 January 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuan Lingfeng (袁靈烽先生) (“**Mr. Yuan**”), aged 40, is currently an independent non-executive Director of the Company. He graduated from Shaoxing University (紹興文理學院) with the bachelor’s degree in Accountancy in June 2006. From July 2006 to March 2021, Mr. Yuan worked as a finance officer of Zhejiang Baoye Construction Group Co., Ltd.* (浙江寶業建設集團有限公司). Since March 2021, he has served as a deputy finance manager of Zhejiang Dongsha Construction Group Ltd.* (浙江東廈建工集團有限公司). Mr. Yuan has been granted a certificate of senior accountant (高級會計師) in December 2019. He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 30 July 2021.

INDEPENDENT SUPERVISOR

Mr. Pan Xing Biao (潘興彪先生) (“**Mr. Pan**”), aged 58, is an independent supervisor of the Company (“**Supervisor**”). He is a certified public accountant and certified tax accountant. Mr. Pan graduated in Financial Accounting major from 浙江台州供銷學校 (Zhejiang Taizhou Supply and Marketing School*) in July 1985. He worked as the chief accountant of 紹興縣畜產品有限公司 (Shaoxing Livestock Product Co., Ltd.*) from August 1985 to April 1990, 紹興縣土特產有限公司 (Shaoxing Native Products Co., Ltd.*) from May 1990 to September 1991, 紹興縣供銷貿易有限公司 (Shaoxing Supply and Marketing Trade Co., Ltd.*) from October 1991 to December 1994 and 紹興縣化纖供應有限公司 (Shaoxing Chemical Fiber Supply Co., Ltd.*) from January 1995 to June 1997. He worked as a department head at 紹興縣第一稅務師事務所 (Shaoxing First Tax Accountant Office*) from July 1997 to December 1999 and has been a director of 紹興益地稅務師事務所 (Shaoxing Yidi Tax Accountant Office*) since January 2000. He was re-appointed as an independent Supervisor of the Company at the annual general meeting held on 18 May 2021.

SUPERVISORS

Ms. Wang Ai Yu (王愛玉女士) (“**Ms. Wang**”), aged 60, is a Supervisor of the Company. She is currently an audit manager of the internal audit department of Zhejiang Yongli. Ms. Wang was a teacher of 楊汛橋中心小學 (Yangxunqiao Zhongxing Primary School*) in Shaoxing County from February 1979 to January 1980 and working in the accounting department of 紹興市蜜餞廠 (Shaoxing County Mijian Factory*) from February 1980 to February 1987. She has acted as an internal audit manager of Zhejiang Yongli since February 1987. Ms. Wang has an extensive experience in finance and is well versed of the national taxation law, the accounting rules and the relevant finance, taxation, audit rules and policies. She is good at analysis and has accumulated substantial experience in data analysis, capital operation from different finance projects. She has established a set of comprehensive rules and regulations for internal control for Zhejiang Yongli in order to reduce the investment risk of the enterprises. She also has standardised the audit method for the corporate finance of and enhanced the quality of financial information, thereby enhancing the supervision in finance and accounting. She graduated from Chong Qing University. She was re-appointed as a Supervisor of the Company by the annual general meeting held on 17 June 2022 and a chairman of the Supervisory Committee.

Mr. Chen Wei (陳偉先生) (“**Mr. Chen**”), aged 42, is a Supervisor of the Company. He is currently the manager of the production department of the Company since March 2015. Mr. Chen was a workshop supervisor in 浙江偉創紡織有限公司 (Zhejiang Wei Chuang Textiles Company Limited*) from 1998 to January 2006 and a production manager in 萬邦紡織有限公司 (Wan Bang Textiles Company Limited*) from 2006 to 2007. He was re-appointed as a Supervisor of the Company on 18 May 2021.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The Group is principally engaged in (i) the manufacture and sale of woven fabrics; and (ii) the provision of woven fabrics subcontracting services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group spent approximately RMB28,000 (2022: RMB136,000) for the renovation of factory buildings and approximately RMB327,000 for additions of plant and machinery (2022: RMB37,000).

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group’s business and the related analysis of the Group’s performance are set out in the section of “Management Discussion and Analysis” on page 9.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS OF THE COMPANY

The Directors and supervisors of the Company during the year ended 31 December 2023 and up to the date of this report are:

Executive Directors:

Mr. Lou Lijiang	<i>(Chairman)</i>
Ms. He Lianfeng	<i>(Chief Executive Officer)</i>
Mr. Hu Hua Jun	

Non-Executive Directors:

Mr. Xia Zhenbo	<i>(Deputy Chairman)</i>
----------------	--------------------------

DIRECTORS' REPORT

Independent Non-Executive Directors:

Mr. Yu Weidong
Mr. Yuan Lingfeng
Mr. Zhang Jianyong

Supervisors:

Ms. Wang Ai Yu *(chairman of supervisory committee)*
Mr. Chen Wei

Independent Supervisor:

Mr. Pan Xing Biao

Each of the Directors and Supervisors (including the non-executive Director, independent non-executive Directors and independent Supervisors) has entered into a service agreement with the Company for three years from the date of appointment. Each of the Directors and Supervisors was appointed as a director and supervisor of the Company respectively subject to termination in certain circumstances as stipulated in the relevant services contracts.

In accordance with the provisions of the Company's articles of association, the Directors and Supervisors acting for the shareholders are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election and re-appointment. None of the Directors (if any) who are proposed for re-election at the forthcoming annual general meeting to be held on 14 June 2024 has a service contract with the Company, which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for termination of executive Directors and independent non-executive Directors' contracts by either party is not less than three months.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2023, Ms. He Lianfeng, an executive Director and her spouse totally have approximately 0.38% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Ms. Wang Ai Yu, a Supervisor, is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongli are associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO"))) by virtue of being a holding company of the Company. Mr. Xia Zhenbo ("Mr. Xia"), a non-executive Director is beneficially interested in 640,000 H Shares of the Company.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE H SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor the Supervisors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 14 to the consolidated financial statements, no other contracts of significance to which the Company was a party and in which a Director or a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2023.

CONNECTED TRANSACTIONS

Save as disclosed in note 32 to the consolidated financial statements, there were no other transactions that need to be disclosed as "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

The independent non-executive Directors have reviewed the connected transactions set out in note 32 to the consolidated financial statements and in their opinion, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties; and
- (iii) carried out in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, so far as it is known to the Directors or chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company ("Domestic Shares")

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares in issue as at 31 December 2023	Approximate percentage of interests in total issued shares as at 31 December 2023
Guizhou Yongli	Beneficial owner (<i>Note</i>)	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note</i>)	588,000,000	100.00%	55.29%

Notes:

- On 8 April 2021, the Company received a notice from Guizhou Yongli that 588,000,000 Domestic Shares has been pledged to an independent third party, China Zheshang Bank Co., Ltd., Shaoxing Branch ("**CZ Bank**") as a security for a loan of RMB50 million as provided by CZ Bank to Zhejiang Yongli, details of which were disclosed in the announcement dated 8 April 2021 of the Company. As at the date of this document, the 588,000,000 Domestic Shares still have been pledged to CZ Bank for security of the bank loan granted to Zhejiang Yongli.
- Mr. Zhou Yongli and his spouse, Ms. Xia Wanmei own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% in Guizhou Yongli. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongli, representing 55.29% of the total issued share capital of the Company.

DIRECTORS' REPORT

H shares of RMB0.1 each of the Company ("H Shares")

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares in issue as at 31 December 2023	Approximate percentage of interests in total issued shares as at 31 December 2023
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

Save as disclosed above, as at 31 December 2023, so far as was known to the Directors, chief executives and Supervisors of the Company, no other person (other than the Directors, chief executives or Supervisors of the Company) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

During the year ended 31 December 2023, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to complete, directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2023, the five largest suppliers and customers of the Group accounted for approximately 87.42% and 36.91% of the Group's purchases and revenue respectively. The largest supplier and customer accounted for approximately 34.45% and 12.19% of the purchases and revenue of the Group respectively.

At no time during the year did a Director, a Supervisor, an associate or a shareholder of the Company, which to the knowledge of the Directors, own more than 5% of the Company's issued share capital, have any interest in the share capital of any of the five largest suppliers or customers of the Group.

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

Neither the Company nor its subsidiaries purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2023.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

Pursuant to Appendix 20 Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) of the GEM Listing Rules, the Group is required to prepare an ESG Report, which explains the management approaches, strategies, policies, measures taken and results of its activities on environmental and social areas and aspects, and evaluate their impact on the sustainable development of the environment and society.

Since the Company has been established in 2002, it has been working towards developing itself as an international leader in woven fabrics design, manufacture and sale. The Group’s objectives are to bring new technology and products to fashion industries, returns to its investors, shareholders and employees, and positive contributions to the environment and society. The Group has adopted and implemented the strategies, policies, rules and regulations in relation to the environmental and social areas and aspects of the ESG Guide with responsibility and a high Code of Standards, which can be summarised in the first ESG report dated and published on 28 June 2017. After that the Company has published various ESG report for further disclosure of Aspect A1 emissions matters as required under the ESG Guide since 2018 to 2023. A separate and updated ESG report for updating disclosure of Aspect A1 emission matters will be published on the Stock Exchange’s website and the Company’s website at the same time when the annual report for the year ended 31 December 2023, has been published.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in May 2002 and the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Mr. Yu, Mr. Yuan and Mr. Zhang. Mr. Yu is chairman of the Audit Committee.

The first quarterly results for the three months ended 31 March 2023, the interim results for the six months ended 30 June 2023, the third quarterly results for the nine months ended 30 September 2023 and the annual results of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee.

EMOLUMENT POLICY

The Company has established a remuneration committee (the “**Remuneration Committee**”) in January 2005 and the primary duties of the Remuneration Committee are to formulate and make recommendations to the Board on the Company’s policy and structure for all the remuneration of the Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration. The Remuneration Committee comprises three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong; and the executive Director, Mr. Lou Lijiang. Mr. Yuan Lingfeng is chairman of the Remuneration Committee.

DIRECTORS' REPORT

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code on 31 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. During the year ended 31 December 2023, the Nomination Committee comprised three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong and the executive Director, Ms. He Lianfeng. Mr. Zhang Jianyong is chairman of the Nomination Committee.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that it is publicly available to the Company and with the knowledge of the Directors as at the date of this annual report, the Company has maintained a prescribed public float under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 were audited by SHINEWING (HK) CPA Limited (“SHINEWING”).

A resolution will be submitted to the forthcoming annual general meeting to be held on 14 June 2024 to re-appoint SHINEWING as an international auditor and 浙江中興會計師事務所(特殊普通合夥) (Zhejiang Zhongxing Certified Public Accountants (Limited Liability Partnership)*) (“**Zhejiang Zhongxing**”) as a domestic auditor of the Group.

On behalf of the Board of
Zhejiang Yongan Rongtong Holdings Co., Ltd.*

Lou Lijiang
Chairman

Zhejiang, the PRC, 28 March 2024

SUPERVISORS' REPORT

To: All Shareholders

We are the supervisory committee (“**Supervisory Committee**”) of Zhejiang Yongan Rongtong Holdings Co., Ltd.*, in accordance with the company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the articles of association of the Company (the “**Articles of Association**”) during the year ended 31 December 2023, exercised conscientiously its authority, safeguarded the interest of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

The Supervisory Committee followed strictly the relevant regulations and carried out its duties honestly, including strengthening internal management and control of the Group, enforcing strict execution of various approval procedures, hiring professional consultation bodies, if necessary, standardising different aspect of management, conducting strict and effective monitoring of various significant decision making process and concrete decisions as to whether or not they comply with state laws and regulations and the Company’s articles of association, whether or not shareholder’s interests are protected etc., preventing abuse of authority by our senior management.

After review, we consider that the consolidated financial statements of the Group for the year ended 31 December 2023, audited by the auditor, SHINEWING, truly and sufficiently reflects the operating results and asset positions of the Group. The Committee also reviewed the Report of the Board of Directors and the Corporate Governance Report and considers that the reports meet the requirements of the relevant regulations and Articles of Association.

We consider that the members of the Board, the general manager and other officers have strictly complied with the principle of honesty and trustworthiness, working diligently and acting sincerely in the best interest of the Group. None of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Group and infringed upon the interests of the Group and its staff, nor have they violated any laws, regulations or the Company’s Articles of Association.

By order of the Supervisory Committee of
Zhejiang Yongan Rongtong Holdings Co., Ltd. *

Wang Ai Yu

Chairman of the Supervisory Committee

Zhejiang, the PRC, 28 March 2024

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “**Code Provision**”) as set out in the Appendix 15 of GEM Listing Rules.

DIRECTORS’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transaction by Directors and Supervisors on terms no less exacting than the required standard of securities transactions by directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors and Supervisors, all Directors and Supervisors of the Company confirmed that they had complied with the required standard and the code of conduct regarding securities transactions by Directors and Supervisors adopted by the Company.

SENIOR MANAGEMENT’S AND STAFF’S SECURITIES TRANSACTIONS

Senior management and those staff who are more likely to be in possession of inside information in relation to the securities of the Company have adopted the Dealing Rules. These senior management and staff have been individually notified and provided with a copy of the Dealing Rules.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group affairs.

The Board currently comprises three executive Directors, namely Mr. Lou Lijiang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; and a non-executive Director, Mr. Xia Zhenbo (Deputy Chairman) and three independent non-executive Directors (representing a least one-third of the Board), namely Mr. Yu, Mr. Yuan Lingfeng and Mr. Zhang Jianyong. Their brief biographical details are set out in the “Directors and Senior Management” on pages 12 to 14 of the annual report. Moreover, one of the independent non-executive Director, Mr. Yu Weidong has appropriate professional qualifications, accounting and related financial management expertise so that he has sufficient calibre and views to carry weight.

Saved as disclosed in this report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board. Please refer to the Directors’ Report on page 16 for the terms of appointment of each Director.

The board confines itself to making board policy decisions, such as the Group’s overall strategies and policies, annual budgets and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group’s business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions. The management must obtain prior approval from the Board before making decision or entering into any commitment on behalf of the Group.

CORPORATE GOVERNANCE REPORT

CONFIRMATION OF INDEPENDENCE

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

BOARD MEETINGS

During the year ended 31 December 2023, regular meeting was held to approve the financial results for the year of 2023 and the annual results for the year ended 31 December 2022. The Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. Notice of at least 14 days is normally given to all Directors for the regular Board meetings to be held and for other Board meetings, reasonable notice is also given. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. In addition, if a substantial shareholder or a Director has a conflict of interest in a matter should be considered by the Board which the Board has determined to be materials, the matter should be dealt with by the physical Board. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that meeting. The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. She also keeps the minutes, which are opened for inspection at any reasonable notice by any Director.

There were five (5) Board meetings held during the financial year ended 31 December 2023. Individual attendance of each Board member at these meetings is as follows:

Name of Directors	Attendance/number of meetings
<i>Executive Directors</i>	
Mr. Lou Lijiang	5/5
Ms. He Lianfeng	5/5
Mr. Hu Hua Jun	5/5
<i>Non-executive Director</i>	
Mr. Xia Zhenbo	5/5
<i>Independent Non-executive Directors</i>	
Mr. Yu Weidong	5/5
Mr. Yuan Lingfeng	5/5
Mr. Zhang Jianyong	5/5

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2023, all Directors have participated in continuous professional development by attending a training course on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2023 is summarised below:

Name of Directors	Attended training course on topics related to corporate governance and regulations Yes/No
<i>Executive Directors</i>	
Mr. Lou Lijiang	Yes
Ms. He Lianfeng	Yes
Mr. Hu Hua Jun	Yes
<i>Non-executive Director</i>	
Mr. Xia Zhenbo	Yes
<i>Independent Non-executive Directors</i>	
Mr. Yu Weidong	Yes
Mr. Yuan Lingfeng	Yes
Mr. Zhang Jianyong	Yes

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the CG Code provides, inter alia, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executives should be clearly established and set out in writing.

Mr. Lou Lijiang is the Chairman, Mr. Xia Zhenbo is the Deputy Chairman and Ms. He Liangfeng is the chief executive officer.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the CG Code.

The primary duties of the audit committee of the Company (the “**Audit Committee**”) are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee currently has three members comprising the three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingdong and Mr. Zhang Jianyong. Mr. Yu Weidong is the chairman of the Audit Committee. He is a PRC certified public accountant and possess the qualification as required under rule 5.05(2) of the GEM Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code.

The Audit Committee has reviewed the results for the three months ended 31 March 2023, six months ended 30 June 2023, and nine months ended 30 September 2023 of the Group. It also has reviewed the audited consolidated financial statements for the year ended 31 December 2023 with management and the Group’s external auditors and recommended its adoption to the Board.

The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Audit Committee meetings. She also keeps the minutes, which are opened for inspection at any reasonable notice by any members of the Audit Committee. There were seven (7) meetings held by the Audit Committee during the year ended 31 December 2023 for reviewing the consolidated annual results of the Group for the year ended 31 December 2022 and the three quarterly results in 2023. Individual attendance of each independent non-executive Director at these meetings is as follows:

Name of Directors	Attendance/number of meetings
<i>Independent Non-executive Directors</i>	
Mr. Yu Weidong	7/7
Mr. Yuan Lingfeng	7/7
Mr. Zhang Jianyong	7/7

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information from any employee of the Group when required; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee are as follows:

- (a) to consider appointment of the external auditors, the audit fee, and any question of resignation or dismissal;
- (b) to discuss with the external auditors the nature and scope of the audit;
- (c) to review and monitor the external auditors, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

CORPORATE GOVERNANCE REPORT

- (d) to develop and implement policy on the engagement of external auditors to supply non-audit services;
- (e) to review the Company's quarterly, interim and annual consolidated financial statements before submission to the Board;
- (f) to discuss problem and reservations arising from the final audits and any matters that the external auditors may wish to discuss;
- (g) to review the Group's statement on risk management and internal control system and financial reporting system prior to endorsement by the Board;
- (h) to consider the major findings of any internal investigation in relation to the risk management and internal control matters as delegated by the Board and the management's response;
- (i) to consider other topics as defined by the Board; and
- (j) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness.

Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Group.

The remuneration in respect of services provided by the international auditor and domestic auditors for the year ended 31 December 2023 is analysed as follows:

	<i>RMB'000</i>
Audit services	704

The audit services fee paid for the year ended 31 December 2023 represents services provided by SHINEWING and Zhejiang Zhongxing.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

According to the CG Code, the Company has established a remuneration committee (the “**Remuneration Committee**”) with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code in January 2005. The primary duties of the Remuneration Committee of the Company are to formulate and make recommendation to the Board on the Company’s policy and structure for all the remuneration of the Directors and Senior Management and on the establishment of a formal and transparent procedures for developing policy on such remuneration. According to the written terms of reference of the Remuneration Committee, the duties of the Remuneration Committee shall be:

- (a) to make recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing such policy;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and Senior Management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive Directors and Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (f) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- (g) to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders’ approval under Rule 17.90 of the Listing Rules.

The Remuneration Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. The Remuneration Committee currently comprises three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong and the executive Director, Mr. Lou Lijiang. Mr. Yuan Lingfeng is chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the Remuneration Committee held one (1) meetings for reviewing the procedural rules of the Remuneration Committee and made recommendations to the Board for the remuneration to be paid to the proposed re-election and appointment of Directors and Supervisors. Individual attendance of each member of the Remuneration Committee at the meeting is as follows:

Name of Directors	Attendance/number of meetings
<i>Executive Director</i>	
Mr. Lou Lijiang	1/1
<i>Independent Non-executive Directors</i>	
Mr. Yu Weidong	1/1
Mr. Yuan Lingfeng	1/1
Mr. Zhang Jianyong	1/1

Based on the advice provided from the Remuneration Committee, the emoluments of the Directors are recommended by the Board of Directors, having regard to their duties and responsibilities and approved by the shareholders of the Company.

NOMINATION COMMITTEE

According to the CG Code, the Company has established a nomination committee (the “**Nomination Committee**”) with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the CG Code on 30 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. According to the written terms of reference, the duties of the Nomination Committee shall be:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group’s corporate strategy;
- (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorship;
- (c) to assess the independence of the independent non-executive directors of the Company; and
- (d) to make recommendations to the Board on:
 - (i) the role, responsibilities, capabilities, skills, knowledge and experience required from members of the Board;
 - (ii) the policy on the terms of employment of non-executive Directors;
 - (iii) the composition of the Audit Committee, Remuneration Committee and other Board Committees of the Company;

CORPORATE GOVERNANCE REPORT

- (iv) proposed changes to the structure, size and composition of the Board;
 - (v) candidates that are suitable and qualified to become members of the Board;
 - (vi) the selection of individuals nominated for directorship;
 - (vii) the re-election by shareholders of the Company of any Directors who are to retire by rotation having regard to their performance and ability to continue to contribute to the Board;
 - (viii) the continuation (or not) in service of any independent non-executive Director serving more than nine years and to provide recommendation to the shareholders of the Company as to how to vote in the resolution approving the re-election of such independent non-executive Director;
 - (ix) the appointment or re-appointment of Directors;
 - (x) succession planning for Directors in particular the Chairman and the Chief Executive Officer; and
 - (xi) the policy concerning diversity of Board members;
- (e) to provide full consideration to the followings in discharging of its duties as mentioned above or elsewhere in the terms of reference:
- (i) the succession planning of Directors;
 - (ii) the need of leadership of the Group with a view of maintaining or fostering the competitive edge of the Group over others;
 - (iii) the changes in market environment and commercial needs of the market in which the Group operates;
 - (iv) the skills and expertise required from members of the Board;
 - (v) the Board's policy concerning diversity of Board members adopted from time to time; and
 - (vi) the relevant requirements of the GEM Listing Rules with regard to the Directors;
- (f) in respect of any proposed service contracts to be entered into by any members of the Group with its Director or proposed Director, which require the prior approval of the shareholders of the Company at general meeting, to review and provide recommendations to the shareholders of the Company (other than shareholders who are Directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote;
- (g) to ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

CORPORATE GOVERNANCE REPORT

- (h) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his departure; and
- (i) to consider other matters, as defined or assigned by the Board from time to time.

The Nomination Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. The Nomination Committee currently comprises three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong and the executive Director, Ms. He Lianfeng. Mr. Zhang Jianyong was elected as the chairman of the Nomination Committee.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Group's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held one (1) meetings for discussion of the existing structure of the board of directors of the Company and the procedures of appointment of Directors and Supervisors; and assessment of re-appointment of Directors and Supervisors in order to make recommendation to the Board of Directors. Individual attendance of each member of Nomination Committee at the meeting is as follows:

Name of Directors	Attendance/number of meetings
<i>Executive Director</i>	
Ms. He Lianfeng	1/1
<i>Independent Non-executive Directors</i>	
Mr. Yu Weidong	1/1
Mr. Yuan Lingfeng	1/1
Mr. Zhang Jianyong	1/1

With the existing Board members coming from a variety of business and professional background, the Nomination Committee considers that the Board possess a balance of skills, experience and diversity appropriate to the requirement of the Company's business.

DIRECTOR NOMINATION POLICY

The purpose of the Director nomination policy of the Company is to:

- (i) set out the criteria and process in the nomination and appointment of Director;
- (ii) ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- (iii) ensure continuity of the Board and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT

Criteria for nomination and appointment of Directors

The criteria for selecting any candidate for directorship are set out as follows:

- (i) bringing an independent judgment and make constructive recommendation on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the Audit Committee, and the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board Committees, if invited;
- (iv) devoting sufficient time to the Board and/or any Committee(s) on which he or she serves so as to allow them to benefit from his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board;
- (v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (vi) ensuring the Nomination Committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the GEM Listing Rules, where appropriate.

If a candidate is proposed to be appointed as an independent non-executive Director (“INED”), his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 5.09 under the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 5.02(2) under the GEM Listing Rules.

Nomination process

(a) *Appointment of New Directors*

- (i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

CORPORATE GOVERNANCE REPORT

- (iii) The Nomination Committee should then recommend the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

(b) *Re-election of Director at General Meeting*

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as a Director at the general meeting, an announcement will be published and a circular in respect of the relevant information of the candidate will be disclosed to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

(c) *Re-election of INED at General Meeting*

Where the Board proposes a resolution to elect an individual as an INED at the general meeting, an announcement will be published and a circular in respect of the relevant information of the candidate will be disclosed to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations:

- (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 INED will be holding his/her seventh (or more) listed company directorship, reasons should be given by the Board that 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 (including gender diversity) of the Board.

CORPORATE GOVERNANCE REPORT

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the current nomination policy and where, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs, to comply with all applicable laws and regulations from time to time and maintain good corporate governance practice.

A board diversity policy has been adopted by the Board in order to set out the approaches for achieving diversity on the Board. All Board appointments will be based on merit while taking into account diversity including gender diversity. The Nomination Committee will regularly review the measurable objectives to ensure its effectiveness to achieve diversity on the Board. The following measurable objectives have been set for implementing the board diversity policy:

- ensuring that there is no limitation on gender on selection of Directors;
- inclusion of candidates for Board members with working experience in other industries; and
- inclusion of candidates for Board members with knowledge and skills in different aspects.

The Nomination Committee has adopted a written nomination procedure (the “**Nomination Procedure**”) specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and the GEM Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and in presenting the quarterly and annual consolidated financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects. In preparing the consolidated financial statements for the year ended 31 December 2023, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the consolidated financial statements, have made judgments and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The Directors' responsibilities in preparing consolidated financial statements and the auditor's responsibilities for the audit of the consolidated financial statements are set out in the Independent Auditor's Report on pages 39 to 43 of this annual report.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION, RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established policy and procedure for handling and dissemination of insider information. The policy requires sensitive information (if any) to be protected with high level of care and the persons receiving potential sensitive information are required to comply with the applicable laws, regulations and rules in respect of insider information. The Group follows the requirements of the GEM Listing Rules and the Securities and Futures Ordinance when disclosing information to public. Inside information (if any) will be disseminated timely in a way which aims at preventing any person be placed in a privileged dealing position, letting the market be appropriately informed for the latest information, and allowing investors to have reasonable time to respond to such information.

The Board recognises its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's objectives, and ensure the Group establishes and maintains a sound and effective risk management and internal control system. The Board acknowledged that an effective risk management and internal control systems are systems that are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

The Group's risk management system is established under a structured framework with clearly defined objective. A top-down approach and methodology is adopted to identify risk, assess and prioritize risk, develop risk response, monitor risk and report risk. The Group has set up appropriate governance body to enforce the risk management system. Risks are identified through periodic assessment performed by different departments of the Group following the pre-set program. Identified risks are then summarized, prioritized according to the risk assessment criteria as set out in the Group's risk policy documented in report, and communicated within the Group to ensure that risk owners and action plans are properly assigned to the identified risks.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. The Group share the internal audit function with its ultimate holding company, Zhejiang Yongli. Hence, the risk management and internal control system is evaluated independently by the Internal Audit Department of Zhejiang Yongli ("**Internal Audit Department**") on an on-going basis. At the year end, the Company normally will appoint an independent professional party to carry out annual review of risk management and internal control systems covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls if the Board consider that it is necessary. During the year under review, an independent professional party was appointed to carry out an annual review of the internal control system and risk management of the Group for the year of 2023. During the year ended 31 December 2023, the Board has conducted annual review to assess the effectiveness of the Group's risk management and internal control system through the following:

- (i) reviewing the policy of the Group's risk management system;
- (ii) reviewing the risk reports prepared by the Group and evaluating the risk inventory list and the related action plan assigned for the identified risks;
- (iii) assessing the program and findings of the team and governance body who are in charge of risk management system and internal audit function;
- (iv) conducting regular management meetings to discuss and handle the identified risks and internal control issues; and
- (v) reviewing the findings made by the auditor in respect of issues encountered during the process of annual audit and interim review.

CORPORATE GOVERNANCE REPORT

Based on the results of the assessment, no material issue has been identified that indicates significant inadequacy and ineffectiveness of the Group's risk management and internal control system. Appropriate actions are being taken to address the areas for improvement identified. The Board and the Audit Committee considered that the key areas of the Company's risk management and internal control systems are reasonably implemented.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and Senior Management are contained in note 14 to the consolidated financial statements.

COMPANY SECRETARY

Ms. Chen Yen Yung (“**Ms. Chen**”) was appointed as the Company Secretary of the Company in June 2002. She is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments.

During the year ended 31 December 2023, Ms. Chen has undertaken not less than 15 hours of relevant professional training.

SHAREHOLDER'S RIGHTS

Shareholder's rights are set out in a number of sources, such as the Articles of Association, and the GEM Listing Rules. With reference to the above sources, the Company sets out below details of shareholder's rights in the following aspects:

1. **The way in which shareholders of the Company (“Shareholders”) can convene an extraordinary general meeting or class meeting**

Pursuant to Article 79 of the Articles of Association, Shareholders who request the convening of an extraordinary general meeting or a class meeting shall do so in accordance with the following procedures:

- (a) two (2) or more shareholders with combined title to more than 10% (including 10%) of shares with voting rights at the meeting to be convened may sign one or several written requests in the same format and with the same contents to the board of directors to convene an extraordinary general meeting or class meeting of shareholders and which shall also specify the meeting's agenda. After receiving the aforesaid written request, the board of directors shall promptly convene an extraordinary general meeting or class meeting of shareholders. The aforesaid number of shares held by shareholders shall be calculated as at the date of the written request;
- (b) if the Board fails to issue notification convening a meeting within thirty (30) days after receiving the aforesaid written request, the Shareholders who raised the request may convene the meeting within four (4) months after the Board received that request. The procedures for convening such a meeting shall be, as much as possible, the same as the procedures for convening a general meeting by the Board.

The written request must be signed by the Shareholders and sent to the Head office and principal place of business in Hong Kong of the Company as disclosed in the “Corporate Information” section to the annual report (the “**Hong Kong Office**”), for the attention of the Company Secretary of the Company. The request will then be verified with the Company's H Share share registrar and transfer office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will forward the request to the Board.

CORPORATE GOVERNANCE REPORT

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Hong Kong Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at shareholder's meetings

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Hong Kong Office. The request will be verified with the H Share share registrar and transfer office and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting. Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to the Article 58 of the Articles of Association of the Company:

“When convening a general meeting of shareholders, written notification shall be made to the Shareholders registered in the Shareholders Register forty-five (45) days (including the date of meeting but excluding the date of notice issuance) before the convening of the meeting of those matters to be discussed at the meeting and the date and location of the meeting. Shareholders intend to attend the general meeting shall send their written acknowledge to the Company twenty (20) days before the convening of the meeting.”

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company has disclosed all necessary information to the Shareholders and investors in compliance with the GEM Listing Rules and used a number of formal communications channels to account to Shareholders and investors for the Company. These include (i) the Company replying to the enquiries from Shareholders timely; (ii) updated and key information of the Company available on website of the Company; (iii) the Company's website offering communication channel between the Company and its Shareholders and investors; and (iv) the Company's H Share share registrar in Hong Kong serves the shareholders regarding all H Shares share registration matters.

CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company during the year ended 31 December 2023.

DIVIDEND POLICY

The holders of the H Shares will share proportionately, on a per Share basis, all dividends and other distributions declared by the Board of Directors. For holders of the H Shares, cash dividend payments, if any, shall be declared by the Board in Renminbi (“RMB”) and paid in HK dollars (“HK\$”).

CORPORATE GOVERNANCE REPORT

The declaration of dividends is subject to the discretion of the Board. The actual amount of dividends declared and paid to holders of H shares will depend upon the following factors:

- general business conditions of the Group;
- financial results of the Group;
- capital requirements of the Group;
- interests of the Company's shareholders; and
- any other factors which the Board may deem relevant.

The Company may only distribute dividends after it has made allowances for:

- recovery of losses, if any;
- allocations to the statutory surplus reserve fund;
- allocations to the statutory welfare fund; and
- allocations to a discretionary surplus reserve fund if approved by its shareholders.

Dividends payable in respect of H Shares shall be calculated and declared in RMB and paid in HK\$. Conversion of RMB into HK\$ will be subject to the relevant PRC foreign exchange regulations and will be calculated at an exchange rate which will be the average of the PBOC Exchange Rate 1 calendar week preceding the date of declaration of dividends. If the Company does not have sufficient foreign exchange reserves to pay its HK\$ dividends, it intends to exchange the required HK\$ from authorised banks in the PRC or through other means.

LOOKING FORWARD

The Board believes that good corporate governance can safeguard the effective allocation of resources and safeguard shareholder's interest. The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take the necessary actions to ensure compliance with the required practices and standards including the Code Provisions.

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.

(Established as a joint stock limited company in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Zhejiang Yongan Rongtong Holdings Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 44 to 117, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit is related to (i) valuation of inventories; and (ii) expected credit losses assessment of trade receivables.

INDEPENDENT AUDITOR'S REPORT

VALUATION OF INVENTORIES

Refer to note 21 to the consolidated financial statements and the accounting policies on page 56.

The key audit matter	How the matter was addressed in our audit
<p>At 31 December 2023, the Group maintained inventories of approximately RMB12,398,000, net of accumulated allowance for inventories of approximately RMB5,524,000.</p> <p>We have identified the valuation of inventories as a key audit matter due to the use of significant degree of judgments and estimates in identifying obsolete and slow moving inventories and in determining the net realisable value ("NRV") which are based on conditions and the marketability of the inventories.</p> <p>NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance so as to write off or write down inventories to their NRVs.</p>	<p>Our audit procedures were designed to evaluate the management's assessment of the conditions and the marketability of the obsolete and slow moving inventories and identify any valuation risk of inventories.</p> <p>We have assessed the reasonableness of the basis of determining the NRV and evaluate the condition and marketability of the inventories assessed by the management, checked the sales order supporting the existing inventories, and tested the subsequent sales to source documents on a sampling basis. We have also assessed the sufficiency of allowance on inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.</p>

EXPECTED CREDIT LOSSES ASSESSMENT OF TRADE RECEIVABLES

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 59 to 62.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, trade receivables of the Group amounted to approximately RMB9,783,000, net of loss allowance for expected credit loss ("ECL") of approximately RMB1,062,000.</p> <p>We have identified the impairment assessment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates, including use of significant unobservable inputs in the valuation performed by the management at the end of the reporting period.</p>	<p>Our audit procedures were designed to review the management's estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant unobservable inputs in the ECL estimation by the management.</p> <p>We have also assessed the appropriateness of the ECL provisioning methodology and reviewed the inputs data used in assessment of ECL with reference to the latest available general economic data, market research, and the cash collection performance against the Group's historical trends and credit loss experience.</p>

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit committee is responsible 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with 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.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Chan Ka Wai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Ka Wai

Practising Certificate Number: P07328

Hong Kong

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	8	55,107	78,998
Cost of sales		(61,293)	(91,067)
Gross loss		(6,186)	(12,069)
Other income, gains and losses, net	8	2,206	2,960
Selling and distribution costs		(3,041)	(3,327)
Administrative expenses		(14,816)	(15,131)
Share of result of an associate	19	(5,916)	(2,086)
Impairment loss reversed in respect of trade receivables	23	1,045	7,224
Impairment loss recognised in respect of interest in an associate	19	–	(5,491)
Finance costs	10	–	(2,273)
Loss before taxation		(26,708)	(30,193)
Income tax expense	11	(28)	(5,383)
Loss for the year	12	(26,736)	(35,576)
Other comprehensive income (expense) for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		160,606	2,386
Income tax relating to items that will not be reclassified to profit or loss		(40,151)	(597)
Other comprehensive income for the year, net of tax		120,455	1,789
Total comprehensive income (expense) for the year		93,719	(33,787)
		<i>RMB</i>	<i>RMB</i>
Loss per share			
Basic and diluted	13	(2.51) cents	(3.35) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	17	18,796	106,358
Right-of-use assets	18	7,606	5,516
Interest in an associate	19	–	33,088
		26,402	144,962
Current assets			
Inventories	21	12,398	19,044
Trade and other receivables	23	25,302	25,955
Financial asset at fair value through profit or loss	20	–	8,949
Bank balances and cash	24	103,746	46,981
		141,446	100,929
Assets classified as held for sale	22	272,510	–
		413,956	100,929
Current liabilities			
Trade and other payables	25	14,686	21,268
Receipt in advance for disposal transaction	26	176,636	–
Contract liabilities	27	3,926	3,093
Amount due to immediate holding company	30	81,565	18,775
Deferred income		159	159
		276,972	43,295
Net current assets		136,984	57,634
Total assets less current liabilities		163,386	202,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2023*

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities	<i>18</i>	7,606	–
Deferred tax liabilities	<i>29</i>	53,918	13,739
Amount due to immediate holding company	<i>30</i>	–	14,951
Deferred income		714	873
		62,238	29,563
		101,148	173,033
Capital and reserves			
Share capital	<i>31</i>	106,350	106,350
Share premium and reserves		(5,202)	66,683
		101,148	173,033

The consolidated financial statements on pages 44 to 117 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. Lou Lijiang
Director

Mr. Xia Zhenbo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note (a))	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (note (b))	Accumulated losses RMB'000 (note (c))	Total RMB'000
At 1 January 2022	106,350	69,637	349,487	45,270	12,496	(362,069)	221,171
Loss for the year	-	-	-	-	-	(35,576)	(35,576)
Gain on revaluation of properties, net of tax	-	-	-	1,789	-	-	1,789
Other comprehensive income for the year	-	-	-	1,789	-	-	1,789
Total comprehensive income (expense) for the year	-	-	-	1,789	-	(35,576)	(33,787)
Recognition upon modification of terms of amount due to immediate holding company	-	-	(14,351)	-	-	-	(14,351)
At 31 December 2022 and 1 January 2023	106,350	69,637	335,136	47,059	12,496	(397,645)	173,033
Loss for the year	-	-	-	-	-	(26,736)	(26,736)
Gain on revaluation of properties, net of tax	-	-	-	120,455	-	-	120,455
Other comprehensive income for the year	-	-	-	120,455	-	-	120,455
Total comprehensive income (expense) for the year	-	-	-	120,455	-	(26,736)	93,719
Recognition upon modification of terms of amount due to immediate holding company	-	-	(165,604)	-	-	-	(165,604)
At 31 December 2023	106,350	69,637	169,532	167,514	12,496	(424,381)	101,148

Notes:

- (a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company and immediate holding company (note 30) of the Company.
- (b) As stipulated by regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior year losses) to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- (c) Profit appropriation is subject to the approval of the Board of Directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 December 2023 and 2022, no reserves were available for distribution as the Group incurred accumulated losses.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	(26,708)	(30,193)
Adjustments for:		
Interest income	(372)	(1,383)
Impairment loss recognised in respect of interest in an associate	–	5,491
Government subsidies	(210)	(382)
Gain from change in fair value of financial asset at fair value through profit or loss	–	(1,177)
Finance costs	–	2,273
Depreciation of right-of-use assets	188	188
Depreciation of property, plant and equipment	8,499	8,670
Reversal of impairment loss recognised in respect of trade receivables	(1,045)	(7,224)
Reversal of write-down of inventories	(1,025)	–
Share of result of an associate	5,916	2,086
Write-off of trade payables	–	(3)
Gain on disposal of property, plant and equipment	(747)	(320)
Operating cash flows before movements in working capital	(15,504)	(21,974)
Decrease in inventories	7,671	8,927
Decrease in trade and other receivables	1,698	14,498
(Decrease) increase in trade and other payables	(6,582)	719
Increase (decrease) in contract liabilities	833	(4,852)
Cash used in operating activities	(11,884)	(2,682)
Interest paid	–	(6)
Income taxes paid	–	(16)
NET CASH USED IN OPERATING ACTIVITIES	(11,884)	(2,704)
INVESTING ACTIVITIES		
Interest received	372	238
Purchase of property, plant and equipment	(355)	(173)
Advance to ultimate holding company	–	(84,634)
Repayment by ultimate holding company	–	84,634
Proceeds from land resumption	176,636	–
Proceeds from redemption of unlisted fund investment	8,949	18,109
Proceeds from disposal of property, plant and equipment	762	320
NET CASH FROM INVESTING ACTIVITIES	186,364	18,494

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Repayment to immediate holding company	(117,765)	–
Government subsidy received	51	223
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(117,714)	223
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,766	16,013
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	46,981	30,968
	103,747	46,981
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash as stated in the consolidated statement of financial position	103,746	46,981
representing bank balances and cash included in assets held for sale	1	–
	103,747	46,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

Zhejiang Yongan Rongtong Holdings Co., Ltd. (the “Company”) is a joint stock limited company established in the People’s Republic of China (the “PRC”) and the H shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate parent is 貴州永利企業管理有限公司 (Guizhou Yongli Enterprise Management Co., Ltd.*) (“Guizhou Yongli”), an enterprise established in the PRC, and its ultimate parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*) (“Zhejiang Yongli”), which is established in the PRC.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are (i) the manufacture and sale of woven fabrics; and (ii) the provision of woven fabrics subcontracting services. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”) which is the same as the functional currency of the Company.

* *English name is for identification only.*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 January 2023.

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

Impact on application of Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of other amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved when the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in an associate is accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of an associate. If the Group's share of losses of an associate equals or exceeds its interest in an associate, which includes any long-term interests that, in substance, form part of the Group's net investment in an associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interest in an associate (Continued)

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the interest.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the interest is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the interest (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the interest. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net interest subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of interests in the associate that are unrelated to the Group. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

The associate of the Group recognised revenue from the following major sources:

- system integration
- information planning and design
- software development
- water management-related business

System integration service

The associate delivers multiple units of highly complex and specialised devices and is responsible for overall management of the contract, which required the performance and integration of activities including procurement of materials, assembly and testing the specialised devices. The sales of specialised devices and services provided are not distinct and separately identifiable and therefore regard as a single performance obligation. Revenue from these contracts is recognised over time as the associate's performance creates and enhances an asset that the customer controls as the asset is created or enhanced. The recognition is based on input method as detailed below.

Information planning and design service

Taking into account the contract terms and the associate's business practice, revenue from information planning and design service contracts is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from information planning and design service is generally recognised when the service is rendered to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interest in an associate (Continued)

Software development service

The associate designs and develops system according to customers' specification, and is responsible for installation, testing of the system as well as training to personnel. Taking into account the contract terms and the associate's business practice, revenue from software development service contracts is recognised over time as the associate's performance creates and enhances an asset that the customer controls as the asset is created or enhanced. The recognition is based on input method as detailed below.

Water management-related business

The associate provides (i) small water conservancy project operation and maintenance management scheme design, management system development, equipment installation and commissioning, aerial three dimensional data, property management, repair and maintenance; and (ii) industrial circulating water treatment which through equipment based on electrochemical and electromagnetic mixing physical technology to solve the problem of industrial circulating water fouling, corrosion, bacteria and algae breeding. Revenue from these contracts is recognised over time as the associate's performance creates and enhances an asset that the customer controls as the asset is created or enhanced. The recognition is based on input method as detailed below.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Input method)

Revenue from system integration and software development contracts are recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of the associate's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net interest in the investee. In applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the relevant accounting policies.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is recognised so as to allocate the cost or fair values of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in “other income, gains and losses, net” (note 8).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in ‘other income, gains and losses, net’. Fair value is determined in the manner described in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL 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, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. The Group rebutted the presumption of significant increase in credit risk under ECL model for trade debtors over 30 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group rebutted the presumption of default under ECL model for trade debtors over 90 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 24 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

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

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

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

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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

The Group recognised revenue from the following major sources:

- sales of woven fabric
- provision of woven fabrics subcontracting services

Sales of woven fabric

Revenue from sales of woven fabric is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of the goods).

Provision of woven fabrics subcontracting services

Revenue from provision of woven fabrics subcontracting services is recognised over time. Under these arrangements, the Group processes the consignment contracts from customers in accordance with the customer's specification. Under the contract the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Output method)

Revenue from provision of woven fabrics subcontracting services is recognised over time.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment losses.

Fair value measurement

When measuring fair value, except for leasing transactions, net realisable value of inventories and value in use of right-of-use assets and certain properties, plant and equipment for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the accounting policies

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

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the Group's provision of woven fabrics subcontracting services, the directors of the Company has assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised the revenue over the service period.

Legal title of buildings

Despite the Group had paid the full purchase consideration for the buildings as detailed in note 17, formal titles of certain of the Group's rights to the use of the buildings were not obtained from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal legal title to these buildings does not impair the value of the relevant assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment (other than buildings at revaluation model) and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets were approximately RMB18,796,000 and RMB7,606,000 (2022: RMB106,358,000 and RMB5,516,000) respectively.

Revaluation, depreciation and useful lives of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 17, commencing from the date the items of property, plant and equipment are available for use. The estimated useful lives and the dates the items of property, plant and equipment are available for use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will impact the depreciation charge in the year in which such estimate has been changed.

As described in note 17, buildings in the PRC were revalued as at 31 December 2022 based on replacement cost method determined by independent professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation for replacement cost method for buildings in the PRC, the independent professional valuer considers information from the aggregate amount of the new replacement cost of the buildings and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period. As at 31 December 2022, the carrying amounts of buildings in the PRC of approximately RMB84,366,000 were included in property, plant and equipment.

As described in note 17, buildings in the PRC were evaluated in 2023 according to the compensation amount stated in the land resumption agreement. Details of the land resumption agreement are described in note 34(i). As at 31 December 2023, the carrying amounts of buildings in the PRC of approximately RMB240,009,000 were reclassified as assets classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Continued)

Impairment loss recognised in respect of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and is adjusted to reflect current and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge or reversal to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2023, allowance for impairment of trade receivables is approximately RMB1,062,000 (2022: RMB2,107,000).

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any cost to complete and to sell the goods. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the Group evaluates, amongst other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2023, the carrying amount of inventories is approximately RMB12,398,000 (2022: RMB19,044,000) (net of accumulated allowance for inventories of approximately RMB5,524,000 (2022: RMB6,549,000)).

Carrying amount of amount due to immediate holding company

As at 31 December 2023, the carrying amount of the interest-free amount due to immediate holding company was approximately RMB81,565,000 (2022: RMB33,726,000). According to the supplementary agreements signed between the Company and Guizhou Yongli as mentioned in note 30, the amount is unsecured and repayable in accordance with the repayment schedule as mentioned in note 30.

The carrying amount of the amount due to immediate holding company may be adjusted to reflect the revised estimated cash flows and reviews its estimates of the timing and repayment to the immediate holding company based on current year cash flow, and consequently affect deemed capital contribution at initial recognition and the amount of imputed interest to be recognised in profit or loss, if any, over the expected life of the amount due to immediate holding company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Continued)

Share of result of an associate

The recognition of each of the associate's revenue stream requires judgment by the directors of the associate in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the associate considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the associate has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the associate's business, the directors of the associate have assessed that for the revenue from system integration and software development contracts. The associate's performance creates and enhances an asset that the customer controls as an associate perform. Therefore, the directors of the associate have satisfied that the performance obligation is satisfied over time and recognised the revenue over the service period.

For the associate's system integration and software development contracts, revenue is recognised over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the associate's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each project in the contract. The associate calculated the cost allocation based on type of projects. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. In order to keep the budget accurate and up-to-date, management of the associate conducts periodic reviews of the budgeted contract costs by comparing the budgeted amounts to the actual costs incurred. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the contracts as the contracts progress, the actual outcome of the contracts in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue, cost and profit recognised.

Impairment assessment of interest in an associate

At the end of each reporting period, the Group assesses whether there was an objective evidence that the interest in an associate might be impaired.

As at 31 December 2022, the independent professional valuer had assessed the recoverable amount of the Group's interest in an associate based on its value-in-use calculation which involved the judgement of the management and the independent professional valuer. As at 31 December 2022, the carrying amount of interest in an associate was approximately RMB33,088,000, net of accumulated impairment losses of approximately RMB36,730,000.

During the year ended 31 December 2023, the interest in an associate was reclassified as held for sale with a carrying amount of approximately RMB27,172,000, net of accumulated impairment losses of approximately RMB36,730,000. It was measured at the lower of its carrying amount and fair value less cost to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to immediate holding company as disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	114,703	66,035
Financial asset at FVTPL		
Financial asset mandatorily measured at FVTPL	–	8,949
Financial liabilities		
Financial liabilities at amortised cost	94,383	52,649

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, trade and other receivables, bank balances and cash, trade and other payables and amount due to immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***6. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)***Market risk**Currency risk*

The Group has no monetary liabilities denominated in foreign currency. The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables denominated in United States dollars ("US\$")	1,494	2,397
Bank balance denominated in US\$	146	562
	1,640	2,959

The Group currently does not have a foreign currency hedging policy. However, the management of Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currency of United States.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against US\$. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates.

A positive number below indicates a decrease in post-tax loss where RMB weakens 5% (2022: 5%) against US\$. For a 5% (2022: 5%) strengthening of RMB against US\$, there would be an equal and opposite impact on the loss.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Decrease in post-tax loss	61	111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate short-term bank deposits. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on the short-term bank deposits are short-term in nature, the exposure of fair value interest rate risk is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents and trade and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets. The Group does not hold any collateral or other credit enhancement to cover its credit risk associate with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by PRC credit ratings agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

Included in the Group's trade receivables balance as at 31 December 2023, approximately RMB997,000 (2022: RMB2,714,000) and RMB3,919,000 (2022: RMB7,235,000), representing 9% (2022: 14%) and 36% (2022: 36%) of the total trade receivables, is due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (2022: PRC), which accounted for 85% (2022: 77%) of the total trade receivables as at 31 December 2023.

As at 31 December 2023, the Group has concentration of credit risk in respect of bank balance as the Group's largest bank balance deposited at China Zheshang Bank represented 98% (2022: 93%) of the total bank balance as at 31 December 2023. In addition, the Group's bank balance from the top five major banks represented 100% (2022: 100%) of the total bank balance as at 31 December 2023.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

In order to minimise credit risk, the management develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL — not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in note 23.

The carrying amount of the Group's financial asset at FVTPL as disclosed in note 20 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	At 31 December 2023				Carrying Amount RMB'000
	On demand or within 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	
Non-derivative financial liabilities					
Trade and other payables	12,818	–	–	12,818	12,818
Amount due to immediate holding company	81,565	–	–	81,565	81,565
	94,383	–	–	94,383	94,383

Additional information about the maturity of lease liabilities is provided in the following table:

	At 31 December 2023				Carrying Amount RMB'000
	Less than one year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	
Lease liabilities	–	4,460	12,031	16,491	7,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	At 31 December 2022				Carrying Amount RMB'000
	On demand or within 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	
	Non-derivative financial liabilities				
Trade and other payables	18,923	–	–	18,923	18,923
Amount due to immediate holding company	18,800	3,200	195,330	217,330	33,726
	37,723	3,200	195,330	236,253	52,649

7. FAIR VALUE

The carrying amounts of financial instruments that were measured at fair value at the end of the reporting period for recurring measurement, based on the degree to which the fair value was observable in accordance to the Group's accounting policy were as follows:

	2023 Level 2 RMB'000	2022 Level 2 RMB'000
Financial asset at FVTPL	–	8,949

There were no transfers between levels of fair value hierarchy in the prior year. The valuation technique and input used in the fair value measurement were set out below:

Financial Instrument	Fair value hierarchy	Fair value as at 31/12/2023	Fair value as at 31/12/2022	Valuation technique and key input
Fund investment	Level 2	–	RMB8,949,000	Based on latest transaction price

The directors of the Company consider that the carrying amounts of the current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements, except for the amount due to immediate holding company, approximate to their fair values due to their short-term maturities.

The directors of the Company consider that the carrying amount of amount due to immediate holding company approximates to its fair values as the discounting effect was taken into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

Revenue represents the amounts received and receivable for goods sold and services rendered by the Group to external customers net of sales related taxes. An analysis of the Group's revenue and other income, gains and losses, net for the year are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Manufacture and sale of woven fabrics	52,660	76,165
Subcontracting fee income	2,447	2,833
	55,107	78,998

Disaggregation of revenue from contracts with customers by timing of recognition

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	52,660	76,165
Over time	2,447	2,833
	55,107	78,998

Transaction price allocated to the remaining performance obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET (Continued)

	2023 RMB'000	2022 RMB'000
Other income, gains and losses, net:		
Foreign exchange gains, net	59	–
Gain from change in fair value of financial asset at FVTPL	–	1,177
Gain on disposal of property, plant and equipment	747	320
Government subsidies (<i>Note 1</i>)	210	382
Interest income	372	1,383
Refund of retirement benefit scheme contributions	–	18
Sales of scrap materials	(683)	(733)
Others (<i>Note 2</i>)	1,501	413
	2,206	2,960

Note 1:

	2023 RMB'000	2022 RMB'000
Government subsidies:		
Subsidy for encouraging enterprise development	–	118
Subsidies awarded to the Group for resumption of work and production and exhibitions	51	105
Subsidy for encouraging replacement of low productivity machinery and equipment	159	159
	210	382

There is no unfulfilled condition or contingencies relating to these subsidies.

Note 2:

Included in others, rental income of approximately RMB1,336,000 (2022: RMB305,000) is recognised. The Group leases out buildings under operating leases. The leases typically run for an initial period of 1 year. None of the leases includes variable lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. SEGMENT INFORMATION

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

Specifically, the Group’s reportable segments are as follows:

Woven fabrics	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of woven fabrics subcontracting services

(a) Segment revenue and loss

The following is an analysis of the Group’s revenue and loss by reportable segment:

	Woven fabrics		Subcontracting services		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Segment revenue	52,660	76,165	2,447	2,833	55,107	78,998
Segment loss	(6,738)	(8,410)	(2,189)	(889)	(8,927)	(9,299)
Unallocated corporate income					2,142	3,370
Unallocated corporate expenses					(14,007)	(14,414)
Share of result of an associate					(5,916)	(2,086)
Impairment loss recognised in respect of interest in an associate					—	(5,491)
Finance costs					—	(2,273)
Loss before taxation					(26,708)	(30,193)

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of certain other income, directors’ remuneration, central administration costs, share of result of an associate, impairment loss recognised in respect of interest in an associate and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

As the assets and liabilities by segment is not a measure used by the Group’s CODM to allocate resources and assess performance, the segment assets and liabilities of the Group are not reported to the Group’s CODM regularly. As a result, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. SEGMENT INFORMATION (Continued)

(c) Other segment information

Amounts included in the measure of segment loss or segment assets:

	Woven fabrics		Subcontracting services		Unallocated		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
— Addition to non-current assets (<i>Note</i>)	-	-	-	-	355	173	355	173
— Depreciation of property, plant and equipment	8,122	8,359	377	311	-	-	8,499	8,670
— Depreciation of right-of-use assets	180	181	8	7	-	-	188	188
— Fair value gain on financial asset at FVTPL	-	-	-	-	-	(1,177)	-	(1,177)
— Reversal of write-down of inventories	(1,025)	-	-	-	-	-	(1,025)	-
— Impairment loss reversed in respect of trade receivables in profit or loss	(999)	(6,965)	(46)	(259)	-	-	(1,045)	(7,224)
— Impairment loss recognised in respect of interest in an associate	-	-	-	-	-	5,491	-	5,491
— Write-off of trade payables	-	(3)	-	-	-	-	-	(3)

Amounts regularly provided to the CODM but not included in the measure of segment loss or segment assets:

— Income tax expense	28	5,383	-	-	-	-	28	5,383
----------------------	----	-------	---	---	---	---	----	-------

Note: Non-current assets excluded financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. SEGMENT INFORMATION (Continued)

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from contracts with external customers		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
The PRC (country of domicile)	43,814	58,238	26,402	144,962
Europe	7,185	15,107	–	–
South America	3,122	4,660	–	–
Middle East	–	284	–	–
Other overseas	986	709	–	–
	55,107	78,998	26,402	144,962

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Customer A (derived from sale of woven fabrics and subcontracting fee income)	6,717	N/A ¹

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Imputed interest expense on interest-free loan due to immediate holding company (note 30)	–	2,267
Interest expense	–	6
	–	2,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current taxation		
— Over-provision for prior years	—	318
Deferred taxation (<i>note 29</i>)		
— Current year	(28)	(5,701)
	(28)	(5,383)

Income tax relating to items recognised in the other comprehensive income is disclosed as follows:

Consolidated other comprehensive income	2023 RMB'000	2022 RMB'000
Deferred tax		
Revaluation of properties	(40,151)	(597)
Deferred tax charged to other comprehensive income	(40,151)	(597)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group is 25% for both years.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Loss before taxation	26,708	30,193
Tax at the domestic rate at 25% (2022: 25%)	6,678	7,549
Tax effect of share of result of an associate	(1,479)	(522)
Tax effect of income not taxable for tax purpose	—	8
Tax effect of expenses not deductible for tax purpose	(23)	(2,097)
Over-provision in respect of prior years	—	318
Tax effect of tax losses not recognised	(5,204)	(10,639)
Income tax expense	(28)	(5,383)

Details of the deferred taxation are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***12. LOSS FOR THE YEAR**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries and wages	18,917	25,875
Retirement benefit scheme contributions	1,911	2,244
<hr/>		
Total staff costs	20,828	28,119
<hr/>		
Auditor's remuneration		
— Audit service	684	768
Cost of inventories recognised as an expense	57,422	85,088
Reversal of write-down of inventories (included in cost of sales)	(1,025)	—
Depreciation of property, plant and equipment	8,499	8,670
Depreciation of right-of-use assets	188	188
Impairment loss reversed in respect of trade receivables	(1,045)	(7,224)
Impairment loss recognised in respect of interest in an associate	—	5,491
Research and development costs recognised as an expense (<i>Note</i>)	—	212
Net foreign exchange (gain) loss	(59)	121
Gain from change in fair value of financial asset at FVTPL	—	(1,177)

Note: Research and development costs represent staff costs which have been included in the staff costs as disclosed above.

13. LOSS PER SHARE

Basic and diluted loss per share for the year is calculated on the loss for the year of approximately RMB26,736,000 (2022: RMB35,576,000), and the weighted average of 1,063,500,000 (2022: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2023.

There is no difference between basic and diluted loss per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the three (2022: three) supervisors, seven (2022: seven) directors and chief executive for the year ended 31 December 2023 were as follows:

For the year ended 31 December 2023

	Directors'/ Supervisors' fee <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Contributions to retirement benefits scheme <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:					
Mr. Lou Lijiang	50	125	10	4	189
Ms. He Lianfeng	72	150	10	3	235
Mr. Hu Hua Jun	60	–	–	–	60
Non-executive director					
Mr. Xia Zhenbo (<i>note (a),(e)</i>)	50	–	–	–	50
Independent non-executive directors					
Mr. Yu Weidong	50	–	–	–	50
Mr. Yuan Lingfeng	50	–	–	–	50
Mr. Zhang Jianyong (<i>note (c)</i>)	50	–	–	–	50
Supervisors					
Ms. Wang Ai Yu (<i>note (e)</i>)	36	–	–	–	36
Mr. Chen Wei	36	98	10	4	148
Mr. Pan Xing Biao	12	–	–	–	12
	466	373	30	11	880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

For the year ended 31 December 2022

	Directors'/ Supervisors' fee <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Contributions to retirement benefits scheme <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:					
Mr. Lou Lijiang	150	128	40	4	322
Ms. He Lianfeng	72	188	50	4	314
Mr. Hu Hua Jun (<i>note (e)</i>)	60	–	–	–	60
Non-executive director					
Mr. Xia Zhenbo (<i>note (a)</i>)	50	–	–	–	50
Mr. Ma Jinsong (<i>note (b)</i>)	–	–	–	–	–
Independent non-executive directors					
Mr. Yu Weidong	50	–	–	–	50
Mr. Yuan Lingfeng	50	–	–	–	50
Mr. Zhang Jianyong (<i>note (c)</i>)	50	–	–	–	50
Mr. Zhu Weizhou (<i>note (d)</i>)	–	–	–	–	–
Supervisors					
Ms. Wang Ai Yu (<i>note (e)</i>)	36	–	–	–	36
Mr. Chen Wei	12	114	40	4	170
Mr. Pan Xing Biao	12	–	–	–	12
	542	430	130	12	1,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

Notes:

- (a) Mr. Xia Zhenbo was appointed as non-executive director on 6 January 2022.
- (b) Mr. Ma Jinsong resigned as non-executive director on 6 January 2022.
- (c) Mr. Zhang Jianyong was appointed as independent non-executive director on 6 January 2022.
- (d) Mr. Zhu Weizhou resigned as independent non-executive director on 6 January 2022.
- (e) The annual fee of (i) Ms. Wang Ai Yu and (ii) Mr. Xia Zhenbo for the year ended 31 December 2023 (2022: (i) Ms. Wang Ai Yu and (ii) Mr. Hu Hua Jun) were paid by Zhejiang Yongli according to the terms of services contracts. No allocation of the remuneration between Zhejiang Yongli and the Group have been made during the years presented.

Ms. He Lianfeng is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

The discretionary bonus is determined by the remuneration committee having regard to the individual's performance and the Group's performance and profitability and the prevailing market conditions.

Neither the chief executive nor any of the directors and supervisors waive any emoluments for the year ended 31 December 2023 and 2022.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiaries undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of affairs of the Company or its subsidiaries undertaking		Total	
2023	2022	2023	2022	2023	2022
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
382	482	302	414	684	896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***15. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three (2022: three) of them were directors or supervisor of the Company whose emoluments are included in note 14 above. The emoluments of the remaining two (2022: two) individual for the year ended 31 December 2023 are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and other benefits in kind	270	217
Retirement benefits schemes contributions	–	–
	270	217

Their emoluments were within the following band:

	No. of individuals	
	2023	2022
Nil to HK\$1,000,000	2	2

No emoluments were paid or payable by the Group to the five highest paid individuals and directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings at revalued amounts RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
COST/VALUATION					
At 1 January 2022	87,099	335	127,834	3,780	219,048
Additions	–	–	37	136	173
Disposals	–	–	(7,738)	(89)	(7,827)
Adjustment on revaluation	(2,733)	–	–	–	(2,733)
At 31 December 2022 and 1 January 2023	84,366	335	120,133	3,827	208,661
Additions	–	–	327	28	355
Disposals	–	–	(30,013)	(5)	(30,018)
Adjustment on revaluation	155,643	–	–	–	155,643
Reclassified as held for sale	(240,009)	–	–	–	(240,009)
At 31 December 2023	–	335	90,447	3,850	94,632
ACCUMULATED DEPRECIATION					
At 1 January 2022	–	335	103,918	2,326	106,579
Provided for the year	5,119	–	3,307	244	8,670
Eliminated on disposals	–	–	(7,738)	(89)	(7,827)
Eliminated on revaluation	(5,119)	–	–	–	(5,119)
At 31 December 2022 and 1 January 2023	–	335	99,487	2,481	102,303
Provided for the year	4,963	–	3,297	239	8,499
Eliminated on disposals	–	–	(29,998)	(5)	(30,003)
Adjustment on revaluation	(4,963)	–	–	–	(4,963)
At 31 December 2023	–	335	72,786	2,715	75,836
CARRYING VALUES					
At 31 December 2023	–	–	17,661	1,135	18,796
At 31 December 2022	84,366	–	20,646	1,346	106,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives less their residual values as follows:

Buildings	Over the shorter of the term of the lease or 20 years
Motor vehicles	5 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years

During the year ended 31 December 2023, the owned buildings of the Group of approximately RMB240,009,000 have been reclassified as assets classified as held for sale and is presented separately in the consolidated statement of financial position after the Group entered into a land resumption agreement. Details of the land resumption agreement are described in note 34 (i).

Owned buildings of the Group were revalued in 2023 according to the compensation amount stated in the land resumption agreement.

Owned buildings of the Group were revalued in 2022 by Avista Valuation Advisory Limited (“Avista”), an independent qualified professional valuer not connected with the Group. Avista has appropriate qualifications and had recent experiences in the valuation of similar properties in the relevant locations. The valuations had been arrived at using replacement cost approach.

The Group’s finance department reviewed the valuations for owned buildings performed by independent qualified professional valuer for financial reporting purposes. The Group’s finance department reported directly to the Board of Directors. Discussion of valuation processes and results were held between the Group’s finance department and valuer annually.

The buildings are held in the PRC under medium-term lease.

If the owned buildings had not been revalued, they would had been included in the consolidated financial statements at historical cost less accumulated depreciation of approximately RMB22,669,485 (2022: RMB27,092,489).

Fair value measurement of the Group’s owned buildings

The fair value of the owned buildings was determined using the replacement cost approach. Fair value which determined by using replacement cost approach that reflected the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

In estimating the fair value of the properties, the highest and best use of the properties was their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the Group's owned buildings and information about the fair value hierarchy as at 31 December 2022 were as follows:

Property, plant and Equipment	Fair value	Fair value Hierarchy	Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Buildings in the PRC	RMB84,366,000	Level 3	Replacement cost	Rate of obsolescence to adjust the replacement cost, which ranged from 15% to 88% based on the utilisation, specialty in nature and age of the buildings	The higher the rate of obsolescence, the lower the fair value

There were no transfers into or out of Level 3 during the year ended 31 December 2022.

The reconciliation of Level 3 fair value measurements of buildings on recurring basis was as follow:

	2023 RMB'000	2022 RMB'000
At 1 January	84,366	87,099
Increase in fair value recognised in other comprehensive income	160,606	2,386
Depreciation expense	(4,963)	(5,119)
Reclassified as held for sale (<i>Note 22</i>)	(240,009)	–
At 31 December	–	84,366

During the year ended 31 December 2023, the increase in fair value recognised in other comprehensive income of approximately RMB160,606,000 (2022: RMB2,386,000) is included in asset revaluation reserve and is attributable to the change in unrealised gains or losses relating to owned buildings measured at fair value held at the end of the reporting period.

As at 31 December 2022, the Group had not obtained the building ownership certificate for buildings with carrying values of approximately RMB15,713,000 from the relevant PRC government authorities. Based on the legal advice from the Group's lawyer, the absence of formal title to these properties did not impair their values of the Group as the Group had paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title was remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. LEASES

(i) Right-of-use assets

	2023 RMB'000	2022 RMB'000
Land	–	5,516
Buildings (factories and offices)	7,606	–
	7,606	5,516

Right-of-use assets represent land use rights located in the PRC. During the year ended 31 December 2023, the Group entered into a land resumption agreement and reclassified right-of-use assets in respect of land of approximately RMB5,328,000 to assets classified as held for sale. Details of the land resumption agreement are described in note 34 (i).

The Group has lease agreements for buildings. The lease terms are ten years.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to RMB7,606,000, due to a new lease of office, factories and warehouses.

(ii) Lease liabilities

	2023 RMB'000	2022 RMB'000
Non-current	7,606	–

During the year ended 31 December 2023, the Group entered into a new lease agreement in respect of renting office, factories and warehouses and recognised lease liabilities of approximately RMB7,606,000 (2022: nil).

(iii) Amount recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Depreciation of right-of-use assets	188	188
Expense relating to short-term lease	479	1,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INTEREST IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Cost of investment in an associate	90,000	90,000
Share of post-acquisition losses and other comprehensive expense	(26,098)	(20,182)
	63,902	69,818
Accumulated impairment losses	(36,730)	(36,730)
Reclassified as held for sale (<i>Note 22</i>)	(27,172)	–
	–	33,088

The Group had 41.67% equity interest of 北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd.*) (“Beijing Tepia”) (representing 60,000,000 shares of Beijing Tepia), a company incorporated in the PRC with its shares trading on the National Equities Exchange and Quotations (“NEEQ”). The quoted price of Beijing Tepia as in NEEQ at 31 December 2023 is RMB2.65 (2022: RMB13.50) per share.

As at 31 December 2023 and 2022, the Group had interest in the following material associate:

Name of entity	Form of legal entity	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interests held by the Group		Proportion of voting power held		Principal activities
					2023	2022	2023	2022	
Beijing Tepia and its subsidiary	Limited liability company	PRC	PRC	Ordinary	41.67%	41.67%	41.67%	41.67%	Provide information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems

The above table lists the associate of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

During the year ended 31 December 2023, the Group entered into an equity transfer agreement to dispose all interest in 浙江紹興慧聚水務科技有限公司 (“Zhejiang Shaoxing Huiju Water Technology Co., Ltd.”*), the investment holding company of Beijing Tepia, to a related company for a consideration of RMB32,500,000, then interest in an associate of approximately RMB27,172,000 is reclassified as assets classified as held for sale accordingly. Details of the disposal are described in note 34 (ii).

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INTEREST IN AN ASSOCIATE (Continued)

Immediately before the reclassification as held for sale, the interest in an associate was tested for impairment by estimating the recoverable amount based on fair value less cost to sell with reference to the equity transfer agreement. No impairment loss was recognised since the recoverable amount exceeded the carrying amount.

As at 31 December 2022, the recoverable amount calculation used cash flow projections based on financial budgets approved by the management covering a 6-year period, and discount rate of 18%. The associate's cash flows beyond the 6-year period were extrapolated using a steady 3% growth rate. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows which included budgeted revenue and cost, such estimation was based on the associate's past performance and management's expectations for the market development. During the year ended 31 December 2022, impairment loss of approximately RMB5,491,000 was recognised.

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

Beijing Tepia

	2023 RMB'000	2022 RMB'000
Current assets	70,709	82,130
Non-current assets	4,080	4,925
Current liabilities	14,133	12,284
Non-current liabilities	83	–
	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue	18,647	23,899
Loss for the year	(14,198)	(5,007)
Total comprehensive expense for the year	(14,198)	(5,007)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in an associate is set out below:

	2023 RMB'000	2022 RMB'000
Net assets of the associate	60,573	74,771
Proportion of the Group's ownership in Beijing Tepia	41.67%	41.67%
Goodwill	1,931	1,931
Carrying amount of the Group's interest in Beijing Tepia	27,172	33,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Financial asset at FVTPL comprise:		
Unlisted fund investment in the PRC	–	8,949

The fair value of this investment is disclosed in note 7.

	2023 RMB'000	2022 RMB'000
Analysed for reporting purpose as:		
Current asset	–	8,949

	RMB'000
At 1 January 2022	25,881
Gain from change in fair value of financial asset at FVTPL	1,177
Proceeds from redemption of unlisted fund investment (<i>Note</i>)	(18,109)
At 31 December 2022 and 1 January 2023	8,949
Proceeds from disposal of unlisted fund investment (<i>Note</i>)	(8,949)
At 31 December 2023	–

Note:

Due to the impact of the COVID-19 epidemic, the Limited Partnership decided not to extend the investment period and planned to return the initial investment fund to the limited partners. On 28 March 2022, the Company received approximately RMB18 million of the initial investment fund from the Limited Partnership.

On 30 December 2022, the Group entered into a sale agreement to dispose of 深圳南山金融科技雙創股權投資基金合夥企業 (有限合夥), which was an unlisted fund investment in the PRC at FVTPL. The disposal had not completed as at 31 December 2022. The unlisted fund of approximately RMB8,949,000 was classified as financial asset at FVTPL on the consolidated statement of financial position as at 31 December 2022. The details of which were set out in the Company's announcement dated 30 December 2022. The transaction was completed on 21 February 2023 and the consideration of RMB8,949,000 was settled on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***21. INVENTORIES**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	796	1,006
Work in progress	2,435	4,161
Finished goods	9,167	13,877
	12,398	19,044

22. ASSETS CLASSIFIED AS HELD FOR SALE

	2023 <i>RMB'000</i>
Property, plant and equipment and right-of-use assets (<i>Notes (i)</i>)	245,337
Assets of a disposal group reclassified as held for sale (<i>Notes (ii)</i>)	27,173
Assets classified as held for sale	272,510

Notes:

- (i) On 20 December 2023, the Company entered into a land resumption agreement (“Land Resumption Agreement”) with the subdistrict office of Yangxun Qiao Town in Keqiao District, Shaoxing City (“Subdistrict Office”) and that the Subdistrict Office would resume a piece of land owned by the Company which was located at Keqiao District of Shaoxing, Zhejiang (“Shaoxing Land”). The corresponding right-of-use assets and property, plant and equipment, which are expected to be disposed within twelve months, have been classified as assets classified as held for sale and are presented separately in the consolidated statement of financial position (see below). The net compensation of the land resumption is expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised during the year ended 31 December 2023.

The non-current assets classified as held for sale are as follows:

	2023 <i>RMB'000</i>
Property, plant and equipment	240,009
Right-of-use assets	5,328
Total assets classified as held for sale	245,337

Cumulative amount of approximately RMB167,514,000 relating to the above assets classified as held for sale has been recognised in other comprehensive income and included in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Notes: (Continued)

- (ii) On 22 December 2023, the Company entered into an equity transfer agreement with a related party to dispose the Group's equity interest in a subsidiary, which is an investment holding company of an associate. The asset attributable to the subsidiary, which is expected to be sold within twelve months, have been classified as assets classified as held for sale and is presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant asset and accordingly, no impairment loss has been recognised during the year ended 31 December 2023.

The assets of the subsidiary classified as held for sale are as follows:

	2023 RMB'000
Investment in an associate classified as held for sale	27,172
Cash and bank balances	1
Assets of a disposal group reclassified as held for sale	27,173

The major non-cash transaction from the above two transactions are set out in note 34.

23. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	10,845	19,880
Less: Allowance for impairment of trade receivables	(1,062)	(2,107)
	9,783	17,773
Other receivables		
Prepayments to suppliers	14,345	6,901
Other receivables	1,174	1,281
	15,519	8,182
Total trade and other receivables	25,302	25,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***23. TRADE AND OTHER RECEIVABLES** (Continued)

As at 1 January 2022, trade receivables from contract with customer amounted to approximately RMB32,256,000.

As at 31 December 2023, the gross amount of trade receivables arising from contract with customers amounted to approximately RMB10,845,000 (2022: RMB19,880,000).

The Group allows an average credit period of 60 days to 180 days (2022: 60 days to 180 days) to its trade customers. The Group does not hold any collateral or other credit enhancements over its trade and other receivables.

An aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented based on the revenue recognition dates, at the end of the reporting period is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–60 days	8,828	14,581
61–90 days	134	965
91–120 days	2	102
121–365 days	819	2,125
	9,783	17,773

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. TRADE AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on the individually significant customer or the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2023	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.60	9,110	146
Less than 60 days past due	7.35	31	2
61–90 days past due	7.35	1	–
91–365 days past due	7.35	852	63
Over 365 days past due	100	851	851
		10,845	1,062
<hr/>			
As at 31 December 2022	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	5.25	16,515	867
Less than 60 days past due	10.17	152	15
61–90 days past due	11.14	119	13
91–365 days past due	16.45	2,253	371
Over 365 days past due	100	841	841
		19,880	2,107
<hr/>			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***23. TRADE AND OTHER RECEIVABLES** (Continued)

The movement in allowance for impairment of trade receivables are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	2,107	9,331
Impairment loss reversed in respect of trade receivables	(1,045)	(7,224)
At the end of the year	1,062	2,107

The decrease in past due balances in the weighted average expected loss rates resulted in impairment loss reversed in respect of trade receivables of approximately RMB1,045,000 in 2023.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the group entity:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
US\$	1,494	2,397

Included in other receivables as at 31 December 2023, balance of approximately RMB80,000 (2022: RMB963,000) is amount due from related companies in relation to provision of goods and services to the related companies. The balance is unsecured, interest-free and repayable upon invoice issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. BANK BALANCES AND CASH

For the years ended 31 December 2023 and 2022, bank balances carried interest at average market rate ranged from 0.00% to 0.25% per annum (2022: 0.25% to 0.38% per annum).

Included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective group entity:

	2023 RMB'000	2022 RMB'000
US\$	146	562

25. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables (<i>notes i and ii</i>)	9,372	14,895
Other tax payables	1,868	2,345
Accrued expenses and other payables	3,446	4,028
	14,686	21,268

Notes:

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2022: 30 days to 90 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.
- (ii) An aged analysis of trade payables at the end of the reporting period based on the invoice date is as follows:

	2023 RMB'000	2022 RMB'000
0–60 days	3,686	8,686
61–90 days	1,406	1,982
91–365 days	1,274	1,645
Over 365 days	3,006	2,582
	9,372	14,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2023***26. RECEIPT IN ADVANCE FOR DISPOSAL TRANSACTION**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Receipt in advance for disposal transaction	176,636	–

As at 31 December 2023, the balance of the land resumption compensation received in advance was approximately RMB176,636,000. Details of the land resumption are described in note 34 (i). All the land resumption compensation has been received as of the date in which these consolidated financial statements are being approved by the directors.

27. CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sales of woven fabrics	3,926	3,093

As at 1 January 2022, contract liabilities amounted to approximately RMB7,945,000.

Contract liabilities include advances received to sales of woven fabrics.

The Group receives range from 10% to 20% of the contract values as deposits from new customers when they sign the contracts for sales of woven fabrics and render subcontracting services.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities as the beginning of the year is approximately RMB3,093,000 (2022: RMB7,945,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

28. RETIREMENT BENEFITS PLANS

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement benefit scheme for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement benefit scheme is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement benefit scheme, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2023, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB1,911,000 (2022: RMB2,244,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. DEFERRED TAX LIABILITIES

Major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years are set out as follows:

	Revaluation of properties <i>RMB'000</i>	Impairment loss (reversed) recognised in respect of trade receivables <i>RMB'000</i>	Allowance of inventories <i>RMB'000</i>	Accumulated tax losses <i>RMB'000</i>	Fair value change of financial asset at FVTPL <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	(19,430)	7,365	1,218	3,600	(194)	–	–	(7,441)
Charged to profit or loss	–	(1,807)	–	(3,600)	(294)	–	–	(5,701)
Charged to other comprehensive income	(597)	–	–	–	–	–	–	(597)
At 31 December 2022 and 1 January 2023	(20,027)	5,558	1,218	–	(488)	–	–	(13,739)
Credited (charged) to profit or loss	–	(261)	(255)	–	488	1,901	(1,901)	(28)
Charged to other comprehensive income	(40,151)	–	–	–	–	–	–	(40,151)
At 31 December 2023	(60,178)	5,297	963	–	–	1,901	(1,901)	(53,918)

At the end of the reporting period, the Group has unused tax losses of approximately RMB78,311,000 (2022: RMB57,495,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream. All unused tax losses as at 31 December 2023 will expire in 2027 to 2028 (2022: expired in 2023 to 2026).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongli (“Assignment of Debt Agreement”), pursuant to which, the debt of approximately RMB239,677,000 owed by the Company to Zhejiang Yongli was assigned to Guizhou Yongli and Guizhou Yongli committed to continue the obligations and commitments under the original debt agreement that was entered into between the Company and Zhejiang Yongli on 13 September 2011. Referring to the principal advances of approximately RMB239,677,000 in relation to the Assignment of Debt Agreement entered into on 23 December 2016, it had been initially reduced to its present value of approximately RMB20,724,000 based on the management’s estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000, which was deemed contribution from the immediate holding company during the year ended 31 December 2016. The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of the Company’s operating cash flow for current year on an annual basis until the full repayment of the debt.

Imputed interest on these advances had been computed at an original effective interest rate of 13.45% (2022: 12.42%). The amount is unsecured, interest-free.

On 30 November 2020, the Company and Guizhou Yongli entered into a supplemental debt agreement to revise the repayment terms of the remaining principle and continue to provide the most favorable terms to support the Company’s continued operations.

On 31 March 2022, the Company and Zhejiang Yongli entered into a Revolving Loan Agreement, pursuant to which (i) Zhejiang Yongli has repaid the Company all the principal of the loan according to the Revolving Loan Agreement; (ii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli still owes the company approximately RMB1,145,000 loan interest.

On 31 March 2022 and 16 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement respectively, pursuant to which (i) the Company agreed to repay in advance part of the amount due to immediate holding company in the amount of RMB18,000,000; (ii) upon receipt of the payment of RMB18,000,000 from the Company, Guizhou Yongli agreed to waive part of the amount due to immediate holding company in the amount of RMB18,000,000; (iii) the amount due to immediate holding company was set off against the equivalent amount of the loan interest of RMB1,145,000 which was charged by the Company under the Revolving Loan Agreement dated 31 March 2022.

On 31 December 2022, the carrying values of amount due to immediate holding company immediately before the modification were approximately RMB19,375,000. According to a valuation report issued by an independent valuer not connected with the Group, the fair values of the new liability immediately following the modification are approximately RMB33,726,000. These caused a decrease of approximately RMB14,351,000 in other reserve in the consolidated statement of changes in equity impact during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY (Continued)

On 22 December 2023, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Fourth Supplemental Debt Repayment Agreement, pursuant to which, (i) as at the date of the Fourth Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli in the total outstanding amount of approximately RMB218,475,000 and Guizhou Yongli agreed to waive part of the debt in the amount of RMB18,000,000; upon the waiver of part of the amount due to immediate holding company, the Company will be indebted to Guizhou Yongli in the total outstanding amount of approximately RMB199,330,000, which would be settled by the Company in accordance with the Fourth Supplemental Debt Repayment Agreement. The Fourth Supplemental Debt Repayment Agreement will take effect after all the following conditions are fulfilled:

- (a) the land resumption arrangement entered into by the Company on 20 December 2023 is completed and all the compensation has been received; details of the land resumption described in note 34 (i);
- (b) the Fourth Supplemental Debt Repayment Agreement is approved by the shareholders on an extraordinary general meeting (“EGM”) in accordance with the request of the GEM Listing Rule;
- (c) approval from the relevant parties is obtained according to the GEM Listing Rule; and
- (d) conditions (i) to (iii) are fulfilled on or before 5:00 p.m. on 30 April 2024.

On 31 December 2023, the carrying amount of the amount due to the immediate holding company immediately before the modification was approximately RMB33,726,000. According to the Fourth Supplemental Debt Repayment Agreement, the fair value of the liability immediately following the modification are approximately RMB199,330,000. These caused a decrease of approximately RMB165,604,000 in other reserve in the consolidated statement of changes in equity during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group has repaid the principal of approximately RMB117,765,000 (2022: RMB1,145,000).

31. SHARE CAPITAL

Details of the share capital of the Company of RMB0.10 each are as follows:

	Number of shares '000	RMB'000
Domestic shares at 1 January 2022, 31 December 2022 and 31 December 2023	588,000	58,800
H shares at 1 January 2022, 31 December 2022 and 31 December 2023	475,500	47,550
Total share capital of RMB0.10 each at 1 January 2022, 31 December 2022 and 31 December 2023	1,063,500	106,350

The domestic shares and H shares carry the same rights to dividends, receive notice of attender vote at any general meeting of the Company or to participate in any distribution on winding up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the consolidated financial statements, the Group entered into transactions with related parties as follows:

Related party	Relationship	Nature of transaction	Notes	2023 RMB'000	2022 RMB'000
Zhejiang Yongli	Ultimate holding company	Electricity charges	(i), (ii)	11,449	10,696
		Aggregated cash advance to	(i)	–	84,634
		Aggregated cash repayment from	(i)	–	84,634
		Interest income	(vi)	–	1,145
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Dyeing Co., Ltd.*)	Fellow subsidiary	Dyeing services	(i), (iii)	2	556
浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.*)	Fellow subsidiary	Sales of goods	(iv)	32	35
永利地產集團有限公司 (Yongli Land Property Group Co., Ltd.*)	Fellow subsidiary	Sales of goods	(iv)	3	–
紹興虹利化纖有限公司 (Shaoxing Hongli Fiber Co., Ltd*)	Fellow subsidiary	Rental income	(i), (vii)	–	305
		Raw materials	(i), (v), (vii)	–	5,662

Notes:

- (i) These transactions were carried out at the terms determined and agreed by the Group and relevant parties.
- (ii) The electricity charges were made on behalf of the Group based on the actual cost incurred.
- (iii) The dyeing services were provided to the Group for the usage in the production.
- (iv) The finished goods were sold by the Group.
- (v) The raw materials were sold to the Group for the usage in the production.
- (vi) The transaction was carried out at the terms determined and agreed by the ultimate holding company.
- (vii) One of the key management personnel of the Company was also the key management personnel of Shaoxing Hongli Fiber Co., Ltd. During the year ended 31 December 2023, the key management personnel was no longer the key management personnel of Shaoxing Hongli Fiber Co., Ltd. Since then it is not the fellow subsidiary of the company.

Except for the aggregated cash advance to and repayment from Zhejiang Yongli and the interest income received from Zhejiang Yongli, the aforesaid transactions were in the ordinary course of business of the Group.

(b) Compensation of key management personnel

The directors of the Company and the supervisors and chief executive of the Group are regarded as key management of the Group. Compensation paid or payable to them is disclosed in note 14.

The remuneration of directors and members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

* English name is for identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to immediate holding company RMB'000
At 1 January 2022	18,253
Financing cash outflows	—
Non-cash change	
— Finance cost incurred	2,267
— Interest from Zhejiang Yongli net-off	(1,145)
— Recognition upon modification of terms of amount due to immediate holding company	14,351
	<hr/>
At 31 December 2022 and 1 January 2023	33,726
Financing cash inflows	(117,765)
Non-cash change	
— Recognition upon modification of terms of amount due to immediate holding company	165,604
	<hr/>
At 31 December 2023	81,565

34. MAJOR NON-CASH TRANSACTION

- (i) On 19 December 2023, the Company received a notice from the subdistrict office of Yangxun Qiao Town in Keqiao District, Shaoxing City (“紹興市柯橋區楊汛橋街道辦事處”). According to the government notice, the Company was informed that the resumed land and the construction and fixtures over the land were subject to the resumption by the local government in the Keqiao District, Shaoxing City. The Company shall return the resumed land to the local government during the period between 19 December 2023 and 20 January 2024. On 20 December 2023, the Company entered into the land resumption agreement with the authority of the local government (the “Authority”) pursuant to which the Authority have agreed to resume, and the Company has agreed to surrender, the resumed land, construction and fixtures at a total compensation of approximately RMB294,394,000 payable by the Authorities to the Company.

Before the year ended 31 December 2023, the resumption arrangement had not been completed, but the resumed land, construction and fixtures have been fulfilled the definition of non-current assets held for sale, then the relevant property, plant and equipment and right-of-use assets were reclassified as assets classified as held for sale with carrying amount of RMB240,009,000 and RMB5,328,000 respectively. As at 31 December 2023, the balance of the land resumption compensation received in advance is approximately RMB176,636,000. Approximately RMB56,798,000, RMB2,081,000 and RMB58,879,000 land resumption compensations are received subsequently in January, February and March 2024 respectively. All the land resumption compensation has been received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. MAJOR NON-CASH TRANSACTION (Continued)

- (ii) On 22 December 2023, the Group entered into an equity transfer agreement, pursuant to which the Group has conditionally agreed to sell the equity interest on 浙江紹興慧聚水務科技有限公司 (“Zhejiang Shaoxing Huiju Water Technology Co., Ltd.”) (“Zhejiang Shaoxing Huiju”), the investment holding company of Beijing Tepia at a consideration of approximately RMB32,500,000. Upon completion, Zhejiang Shaoxing Huiju and Beijing Tepia will cease to be a subsidiary and an associate of the Company, respectively. The equity transfer was subsequently approved by the shareholder through extraordinary general meeting (the “EGM”) after 31 December 2023. As of 31 December 2023, interest in an associate and bank balance held by Zhejiang Shaoxing Huiju have been reclassified as assets classified as held for sale with carrying amount of approximately RMB27,173,000.
- (iii) During the year ended 31 December 2023, the Group entered into new arrangements in respect of factories and office. Right-of-use assets and lease liabilities of approximately RMB7,606,000 were recognised at the commencement of the lease.
- (iv) During the year ended 31 December 2022, the Group had recognised interest income from Zhejiang Yongli of approximately RMB1,145,000 which was net off against the principal of the amount due to immediate holding company according to the Second Supplemental Debt Repayment Agreement.

* *English name is for identification only*

35. EVENTS AFTER THE REPORTING PERIOD

- (i) In March 2024, the land resumption mentioned in note 34(i) has been completed. The details of the land resumption were set out in the Company’s announcement dated 3 January 2024. All consideration was received as of the date of these consolidated financial statements being approved by the directors.
- (ii) In March 2024, shareholders’ approval for the disposal of equity interest in Zhejiang Shaoxing Huiju (as disclosed in note 34(ii)) has been obtained in the EGM. The details of which were set out in the Company’s announcement dated 22 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,640	86,024
Right-of-use assets		7,606	5,516
Investments in subsidiaries	<i>(a)</i>	38,165	17,419
		47,411	108,959
Current assets			
Inventories		12,101	18,601
Trade and other receivables		25,152	25,740
Amounts due from subsidiaries	<i>(b)</i>	–	32,670
Financial asset at FVTPL		–	8,949
Bank balances and cash		103,741	46,766
		140,994	132,726
Assets classified as held for sale		245,337	–
		386,331	132,726
Current liabilities			
Trade and other payables		190,656	19,655
Contract liabilities		3,862	3,091
Amount due to immediate holding company		81,565	18,775
		276,083	41,521
Net current assets		110,248	91,205
Total assets less current liabilities		157,659	200,164
Non-current liabilities			
Deferred tax liabilities		53,921	13,726
Lease liabilities		7,606	–
Amount due to immediate holding company		–	14,951
		61,527	28,677
Net assets		96,132	171,487
Capital and reserves			
Share capital	<i>31</i>	106,350	106,350
Share premium and reserves	<i>(c)</i>	(10,218)	65,137
		96,132	171,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Particulars of all subsidiaries of the Company

Name of subsidiary	Place of incorporation or registration/ operations	Paid up registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2023	2022	2023	2022	
Zhejiang Shaoxing Huiju** (Note (i))	PRC	RMB92,822,000 (2022: RMB44,300,000)	100%	100%	–	–	Research and Development of water resources & related equipment
浙江永譽紡織有限責任公司 [^] (Zhejiang Yongyu Textile Co., Ltd.*)	PRC	RMB20,000,000 (2022: RMB20,000,000)	100%	100%	–	–	Manufacturing and trading of woven fabrics
紹興永星建築材料有限公司 [#] (Shaoxing Yongxing Building Materials Co., Ltd.)* (Note (ii))	PRC	RMB1,000,000 (2022: RMB1,000,000)	100%	100%	–	–	Not commence business yet
浙江紹興尚譽紡織品進出口有限責任公司 [#] (Zhejiang Shaoxing Shangyu Textiles Import and Export Co., Ltd.)* (Note (ii))	PRC	RMB100,000 (2022: RMB100,000)	–	–	100%	100%	Not commence business yet

[#] These subsidiaries were registered in the PRC with limited liability.

[^] The subsidiary was registered as wholly-owned foreign enterprise under the PRC law.

* English name is for identification only.

None of the subsidiaries have non-controlling interests that are material to the Group.

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

Note:

(i) The former name of Zhejiang Shaoxing Huiju Water Technology Co., Ltd was Shenzhen Yongan Huiju Water Technology Co., Ltd* (深圳永安慧聚水務科技有限公司).

(ii) These subsidiaries were deregistered of during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) The balances are unsecured, interest-free and repayable on demand.

(c) The movement of share premium and reserves is shown as follows:

	Share Premium RMB'000	Other reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	69,637	349,487	45,270	12,496	(364,508)	112,382
Loss for the year	–	–	–	–	(34,683)	(34,683)
Gain on revaluation of properties, net of tax	–	–	1,789	–	–	1,789
Other comprehensive income for the year	–	–	1,789	–	–	1,789
Total comprehensive income (expense) for the year	–	–	1,789	–	(34,683)	(32,894)
Recognition upon modification of terms of amount due to immediate holding company	–	(14,351)	–	–	–	(14,351)
At 31 December 2021 and 1 January 2022	69,637	335,136	47,059	12,496	(399,191)	65,137
Loss for the year	–	–	–	–	(30,206)	(30,206)
Gain on revaluation of properties, net of tax	–	–	120,455	–	–	120,455
Other comprehensive income for the year	–	–	120,455	–	–	120,455
Total comprehensive income (expense) for the year	–	–	120,455	–	(30,206)	90,249
Recognition upon modification of terms of amount due to immediate holding company	–	(165,604)	–	–	–	(165,604)
At 31 December 2023	69,637	169,532	167,514	12,496	(429,397)	(10,218)

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
REVENUE	55,107	78,998	98,184	77,980	134,537
LOSS BEFORE TAXATION	(26,708)	(30,193)	(22,877)	(29,778)	(49,070)
TAXATION	(28)	(5,383)	4,057	1,087	(96)
LOSS FOR THE YEAR	(26,736)	(35,576)	(18,820)	(28,691)	(49,166)

ASSETS AND LIABILITIES

	At 31 December				
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
TOTAL ASSETS	440,358	245,891	276,887	293,307	331,951
TOTAL LIABILITIES	(339,210)	(72,858)	(55,716)	(55,051)	(84,649)
SHAREHOLDERS' EQUITY	101,148	173,033	221,171	238,256	247,302

Note: The summary of the results and the assets and liabilities of the Group for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 are extracted from the audited consolidated financial statements.