YUNHONG GUIXIN GROUP HOLDINGS LIMITED

運鴻硅鑫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8349)

ANNUAL REPORT

2024

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.

This report, for which the board (the "Board") of directors (the "Directors") of Yunhong Guixin Group Holdings Limited (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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Li Yubao *(Chairman)*
Ms. Zhang Yaping *(Chief Executive Officer)*
Ms. Shi Dongying
Ms. Jin Dan *(appointed on 23 August 2024)*

Independent Non-executive Directors
Mr. Ng Sai Leung
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*
Mr. Lee Man Tai *(resigned on 18 November 2024)*
Mr. Wen Peng *(appointed on 18 November 2024)*
Ms. Long Mei *(appointed on 18 November 2024)*

AUDIT COMMITTEE

Mr. Ng Sai Leung *(Chairperson)*
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*
Mr. Lee Man Tai *(resigned on 18 November 2024)*
Mr. Wen Peng *(appointed on 18 November 2024)*
Ms. Long Mei *(appointed on 18 November 2024)*

REMUNERATION COMMITTEE

Ms. Long Mei *(Chairperson) (appointed on 18 November 2024)*
Mr. Tam Tak Kei Raymond *(Chairperson) (resigned on 12 January 2025)*
Ms. Zhang Yaping
Mr. Lee Man Tai *(resigned on 18 November 2024)*
Mr. Wen Peng *(appointed on 18 November 2024)*

NOMINATION COMMITTEE

Mr. Wen Peng *(Chairperson) (appointed on 18 November 2024)*
Mr. Lee Man Tai *(Chairperson) (resigned on 18 November 2024)*
Ms. Zhang Yaping
Mr. Ng Sai Leung

RISK MANAGEMENT COMMITTEE

Ms. Shi Dongying *(Chairperson)*
Mr. Li Yubao
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*
Mr. Wen Peng *(appointed on 18 November 2024)*

AUTHORISED REPRESENTATIVES

Ms. Zhang Yaping
Ms. Wong Hoi Ting

COMPLIANCE OFFICER

Ms. Shi Dongying

COMPANY SECRETARY

Ms. Wong Hoi Ting *(ACG, HKACG)*

COMPANY WEBSITE

www.nantongrate.com

STOCK CODE

8349

PRINCIPAL BANKER

Wing Lung Bank Limited
G/F, Wing Lung Bank Building
45 Des Voeux Road Central
Central, Hong Kong

Corporate Information

AUDITOR

CCTH CPA Limited
Certified Public Accountant
Unit 1510-1517, 15/F
Tower 2, Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories,
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

66 South Oujiang Road
Haimen City, Jiangsu, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F China Building
29 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Cayman Islands Principal Share Registrar and Transfer Office
Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Chairman's Statement

On behalf of the Board, I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024 to the shareholders (the "Shareholders") of the Company.

REVIEW

Looking back to 2024, the international environment remained complex and volatile, and the world economy continued to stagnate, while domestic economic development has shown signs of recovery, issues of imbalance and insufficiency still persisted. Consequently, the domestic industry continues to face a challenging environment. Influenced by external factors such as weakening market demand, geopolitical tensions, and significant exchange rate fluctuations, the fiberglass reinforced plastic ("FRP") industry is facing new challenges. The Company focuses on strategic development, actively promotes the upgrading of the business model, optimizes business strategy, strictly manages risk control, and maintains the resilience of business development.

While global demand for goods has rebounded rapidly since mid-2020 as the economy gradually recovers from the embargo, the shortage of maritime transportation capacity has been challenging to alleviate. As countries continue to impose restrictions on cross-border travel, along with the impact of the epidemic on the willingness to seek employment, international trade activities are currently experiencing a semi-paralyzed pattern of the transportation industry chain with a shortage of personnel, ships, and containers, coupled with inefficient loading and unloading at terminals. Consequently, freight rates have been continuously skyrocketing, exacerbating the loss of our overseas customers. In light of the numerous pressures and challenges posed by intensified market competition and the ever-changing domestic and international operating environment, the Group only achieved revenue of approximately RMB26.9 million for the year ended 31 December 2024, representing a decrease of approximately 43.22% compared to the corresponding period in 2023, and recorded a net loss of approximately RMB1.34 million for the year ended 31 December 2024.

PROSPECTS

Looking ahead, the management and all staff of the Company will closely focus on the Company's annual business objectives, strengthen the upstream and downstream channel construction, consolidate the competitive advantages of the core categories, and continue to increase market share. Guided by marketing strategies and centered on economic benefits, we will proactively pursue new business opportunities, boost investments in research and development, enhance brand building, and strive to uphold the overall competitiveness of the Company's products in terms of cost, technology and quality. We take the initiative to adjust the business structure, guided by the system and assessment, to enhance the proportion of business with high resource profitability and the proportion of entity industry customers; strengthen joint ventures and cooperation with entity industry customers; and increase the layout of new energy, foundry sand, oil fracturing sand, and other emerging business areas. Also, we strengthen cooperation with the head of the new energy customers, to explore the upgrading of the business model.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank the staff and management team of the Group for their hard work and dedication throughout the year. I would also like to express my sincere gratitude to all Shareholders for their long-term support.

Li Yubao
Chairman
25 March 2025

Management Discussion and Analysis

GENERAL OVERVIEW

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of fiberglass reinforced plastic ("FRP") products. The Group's major products consist of: (i) FRP grating products; (ii) epoxy wedge strip products; and (iii) silica sand procucts.

FRP is widely applied in areas including the building and construction, electrical and telecommunications engineering. The product is characterized by its light weight, high strength, toughness, anti-slippery, anti-erosion, flame retardant, insulation and easy to colour as well as its artistic features. It also offers good and comprehensive economic benefits. As a result, FRP is widely applied in industries including petrochemical, electrical, marine engineering, plating, vessel, metallurgy, steel, papermaking, brewing and municipal industries. It is mainly used in operating platform, equipment platform, stair treads, trench covers, filter plates, etc., which indicates that FRP is an ideal component for corrosive environment.

Given that FRP delivers outstanding performance as a relatively new type of material and serves as a substitute for traditional materials such as wood, concrete and metal, along with the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management expects that the overall FRP market in China will grow at a steady pace in the coming years. The growth is anticipated due to the gradual maturity and better understanding of the FRP market.

The Group continues to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. The Board believes that research and development capabilities are essential to the future growth of the Group. The Group will further enhance its research and development capabilities by controlling material sourcing, purchasing new equipment and engaging professionals and technicians for research and development in order to offer more competitive and high-quality products.

Leveraging on market trend information gathered by the sales and marketing team and participation in drafting the PRC industry standards, the Group constantly keeps track of developments and trends in the FRP industry around the world. Over the past years, the Group has kept abreast of the PRC government's macroeconomic stimulus when carrying out the research and development works. Moreover, the Group adheres to the policy in promoting its products in countries along the "Belt and Road Initiatives". With all these efforts, the Group is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

It is generally believed that effective marketing is important in capturing the market share and attracting potential customers and as such, for the year ended 31 December 2024, the Group continued to undertake the following marketing activities:

i. placing advertisements on the Internet such as an online trading platform Made-in-China.com (www.made-in-china.com), and entering into promotion agreements with online search engine service provider to attract new customers;

ii. identifying suitable tender invitation mainly by online advertisements and industry periodicals; and

iii. contacting existing customers regularly to enhance their knowledge on the Group's products and competitive advantages, to promote new products, to understand their specific needs, to obtain feedbacks on the products and to get a better understanding on the market trends.

With regard to the environmental aspect, the Group is committed to minimizing any negative impact on the environment that may be resulted from the production process. During the year ended 31 December 2024, the Group had no material non-compliance or violation of any relevant laws and regulations of the PRC on environmental protection.

With the extensive experience and market recognition of products that the Group has accumulated for more than a decade, as well as the expanding customer base, the Board is of the view that the Group is more well-positioned than other domestic enterprises in the industry to further develop and expand its markets and products in order to capture the moderate growth of the FRP grating products market in the future.

During the year ended 31 December 2024, the production site located in Inner Mongolia was completed. With the development of domestic glass, building material, petroleum and silicon chemical industries in the PRC over the years, the demand of the silica sand materials in domestic market is growing continuously. The Group has commence the production and sales of industrial silica sand materials in the second half of 2024, which brought remarkable economic benefits to the Group.

SALES PERFORMANCE

The Group recorded a consolidated revenue of approximately RMB27.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB20.5 million or 43.2% compared to the year ended 31 December 2023. The decrease in revenue was mainly due to the decrease in sales of FRP grating products and epoxy wedge strip products. Additionally, sales for the domestic market decreased by approximately 57.5% from approximately RMB38.7 million for the year ended 31 December 2023 to approximately RMB16.4 million for the year ended 31 December 2024. The domestic market contributed approximately 61% of total sales for the year ended 31 December 2024, which represented a decrease of 20.3 percent points compared to approximately 81.3% for the year ended 31 December 2023.

Details of the Group's revenue and gross profit margin by product categories are as follows:

	For the year ended 31 December			
	2024		2023	
	Sales revenue RMB'000	**Gross profit margin %**	Sales revenue RMB'000	Gross profit margin %
FRP grating products	**18,179**	**23.8**	22,255	29.9
Epoxy wedge strip products	**4,222**	**-53.5**	25,291	11.2
Silica sand	**4,593**	**-6.7**	–	–
	26,994	**6.5**	47,546	20.0

FRP grating products were mainly sold to corporate customers in the PRC who are generally end-users of such products, as well as to distributors in the United States of America ("U.S.") and the United Kingdom ("U.K.") who purchase the products on per order basis with no distribution arrangement. The revenue generated from sales of FRP grating products decreased by approximately RMB4.1 million or 28.3% from approximately RMB22.3 million for the year ended 31 December 2023 to approximately RMB18.2 million for the year ended 31 December 2024. The decrease was primarily due to the decrease in revenue generated from the overseas and domestic markets. The gross profit margin decreased by 6.1 percent points from 29.9% for the year ended 31 December 2023 to 23.8% for the year ended 31 December 2024, which was mainly attributable to the fact that the production fixed overhead cost per unit has increased during the year ended 31 December 2024.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue generated from sales of epoxy wedge strip products decreased by approximately RMB21.1 million from approximately RMB25.3 million for the year ended 31 December 2023 to approximately RMB4.2 million for the year ended 31 December 2024. The decrease was mainly due to receiving fewer construction contracts from manufacturers of wind turbine blades in the PRC during the year ended 31 December 2024, resulting in fewer sales order made to the Group by those manufacturers in the current year. The gross profit margin decreased by approximately 64.7 percent points from approximately 11.2% for the year ended 31 December 2023 to approximately -53.5% for the year ended 31 December 2024. The decrease in gross profit margin was attributable to the decrease in selling price, influenced by the economic downturn and the competitive fiberglass market, and the increase of production fixed overhead cost per unit during the year ended 31 December 2024.

The silica sand products are mainly sold to corporate customers in China. The revenue from the sales of silica sand products amounted to RMB4.6 million as of 31 December 2024.

Details of the average selling price and the sales volume by major product categories are as follows:

	For the year ended 31 December			
	2024		2023	
	Average selling price per unit RMB	**Volume**	Average selling price per unit RMB	Volume
FRP grating products	**326.1**	**55,739 m^2**	386.3	57,617 m^2
Epoxy wedge strip products	**39.5**	**106,904 m**	51.7	489,239 m
Silica sand	**84.1**	**54,614 tons**	–	–

The average selling price of the FRP grating products per square meter decreased by approximately RMB60.2 per square meter or approximately 16% from RMB386.3 per square meter for the year ended 31 December 2023 to RMB326.1 per square meter for the year ended 31 December 2024, in addition to a decrease in sales volume of approximately 3.2% between the two years. The decrease in average selling price was mainly due to the decrease in selling price of FRP grating products, in order to maintain the competitiveness within the industry.

The average selling price of the epoxy wedge strip products per meter decreased by approximately RMB12.2 per meter from RMB51.7 per meter for the year ended 31 December 2023 to RMB39.5 per meter for the year ended 31 December 2024, with a decrease in sales volume of approximately 78.1% between the two years. The decrease in average selling price, same as the above, was mainly due to the decrease in selling price of epoxy wedge strip products, in order to maintain the competitiveness within the industry.

Details of the Group's sales revenue by geographical area are as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
The PRC (excluding Hong Kong) (place of domicile)	**16,434**	38,658
U.S.	**–**	454
U.K.	**8,808**	6,455
Others	**1,752**	1,979
Total	**26,994**	47,546

Sales to the PRC market decreased by approximately 57.5% from approximately RMB38.7 million for the year ended 31 December 2023 to approximately RMB16.4 million for the year ended 31 December 2024. The decrease was mainly attributable to the reduction in sales of epoxy wedge strip products during the year ended 31 December 2024.

Sales to the U.S. market decreased by approximately 100% from approximately RMB0.5 million for the year ended 31 December 2023 to no sales for the year ended 31 December 2024. The decrease was mainly due to the higher import tariffs imposed by the U.S. government, which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market increased by approximately 36% from approximately RMB6.5 million for the year ended 31 December 2023 to approximately RMB8.8 million for the year ended 31 December 2024. The increase was mainly due to the increase in sales orders from the major customers in the U.K. market.

OPERATING COSTS AND EXPENSES

Distribution costs increased by approximately RMB1.2 million or 56% from approximately RMB2.0 million for the year ended 31 December 2023 to approximately RMB3.2 million for the year ended 31 December 2024.

Administrative expenses decreased by approximately RMB16.5 million or 91% from approximately RMB18.1 million for the year ended 31 December 2023 to approximately RMB1.6 million for the year ended 31 December 2024. The decrease was mainly attributable to the reversal of the provision for bad debts.

Management Discussion and Analysis

OPERATING RESULTS

The Group recorded a net loss of approximately RMB1.3 million for the year ended 31 December 2024, increased by RMB7.6 million from net loss of approximately RMB8.9 million for the year ended 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities. As at 31 December 2024, the Group did not have any bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no contingent liabilities (2023: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign exchange risk during the business operation. The exposure of foreign exchange risk is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain accounts receivables in U.S., the impact of foreign exchange risk on the Group was minimal and there was no significant adverse effect on normal operations. During the year ended 31 December 2024, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2024, the Group did not pledge any of its assets.

CAPITAL STRUCTURE

As at 31 December 2024, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3,600,000 (2023: RMB3,600,000) and RMB65,446,000 (2023: RMB61,951,000) respectively.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 60 employees (2023: 60). The total staff costs including Directors' remuneration for the year were approximately RMB8.6 million (2023: approximately RMB8.8 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2024.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2024.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2024, the Company has been informed by Mr. Huang Xuechao ("Mr. Huang"), a substantial Shareholder, on 14 March 2025 that his intention to dispose of his partial or entire shareholding interest in the Company (the "Disposal"). Mr. Huang through Aristo Securities Limited has preliminary discussion with Mr. Li Yubao, the controlling Shareholder, of the Disposal. Mr. Huang notified the Company that no legally binding agreement has been entered into between himself and Mr. Li Yubao or any potential buyer in respect of the Disposal. Details of the Disposal are disclosed in the Company's announcements dated 14 March 2025 and 21 March 2025 respectively. Save as disclosed, there were no significant events after the year ended 31 December 2024 and up to the date of this annual report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yubao（李玉保）, aged 43, is the chairman of the Board and was appointed as an executive Director on 30 June 2021 and is responsible for overall management and administration of the Group's business operations. He is also a member of the risk management committee of the Company (the "Risk Management Committee").

Mr. Li received his Executive Master of Business Administration (EMBA) in Investment, Financing and Capital Strategy from the Peking University in 2016. He has been serving as a director of Yunhong Green CTI Ltd. (NASDAQ code: YHGJ), a company principally engaged in (i) designing, manufacturing and distributing metalized and latex balloon products throughout the world; and (ii) operating systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products, since 13 January 2020 and was elected as chairman of the board on 1 June 2020.

Save as disclosed above, Mr. Li has not held any directorship in any public listed company in the past three years.

Ms. Zhang Yaping（張亞平）, aged 35, is an executive Director, chief executive officer and a member of each of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company. She was appointed as an executive Director on 30 June 2021. She is responsible for the overall management, strategic development and major decision-making of the Group.

Ms. Zhang received an associate degree in Human Resources management from Zhoukou Normal University（周口師範學院）in 2013. She completed the training class for the secretary of the board of directors at Shanghai Jiao Tong University in 2018. She has been working as an assistant of the chairman and secretary of the board of Yunhong Group Co., Limited*（運鴻集團股份有限公司）since 2015.

Ms. Zhang has not held any directorship in any public listed company in the past three years.

* *for identification purpose only*

Biographical Details of Directors and Senior Management

Ms. Shi Dongying（施冬英）, aged 50, is an executive Director and the compliance officer of the Group. She was appointed as an executive Director on 6 May 2016. She is responsible for overall management and administration of the Group's business operations, as well as overseeing compliance matters of the Group. She is also the chairperson of the Risk Management Committee.

Ms. Shi completed an undergraduate course in accounting at The Open University of China（中央廣播電視大學）in January 2014. Ms. Shi has over 20 years of accounting experience and she is a non-practising member of the Chinese Institute of Certified Public Accountants. From August 1994 to May 2005, Ms. Shi worked as an accountant in Haimen Linen and Cotton Processing Factory（海門市棉麻加工廠）. From March 2006 to October 2015, she worked as a head of accounting department in Nantong Sancon Electronic Technology Corporation（南通三鑫電子科技股份有限公司）. She joined the Group in October 2015 as deputy executive officer.

Ms. Shi was an independent non-executive director of JiaChen Holding Group Limited (stock code: 1937) from December 2019 to September 2021.

Save as disclosed above, Ms. Shi has not held any directorship in any public listed company in the past three years.

Ms. Jin Dan（金丹）, aged 43, was appointed as an executive Director on 23 August 2024. Ms. Jin has over 15 years' experience in marketing and management. Ms. Jin served as a sales representative in the marketing department of Shenzhen Triple E&M Engineering Co. Ltd.*（深圳市三重機電工程有限公司）from December 2008 to December 2010; she was later promoted to the marketing manager in January 2011 and marketing director in March 2014. From July 2015 to September 2020, Ms. Jin served as the vice president and general manager of the marketing department in Guozhong Xinghe Bio-Pharmaceutical Technology Co. Ltd.*（國眾興合生物醫藥科技有限公司）. Ms. Jin has served as a vice president of Hubei Provincial Association for Food Safety*（湖北省食品安全協會）since October 2020.

Ms. Jin has not held any directorship in any public listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Sai Leung（吳世良）, aged 52, was appointed as an independent non-executive Director on 16 December 2016. He is also the chairperson of the audit committee of the Company (the "Audit Committee") and a member of the Nomination Committee.

Mr. Ng obtained a bachelor's degree in Business Administration from The University of Hong Kong in November 1995 and a master's degree in Business Administration from The Chinese University of Hong Kong in December 2002. Mr. Ng is a fellow of American Institute of Certified Public Accountant. He is also a member of the Chartered Financial Analyst Institute and a Certified ESG Analyst.

Mr. Ng has over 25 years of experience in corporate finance and accounting, including managing various initial public offerings, advising listed companies on mergers and acquisitions, reverse takeovers, privatisations, fund raising exercises and other corporate advisory transactions. Mr. Ng previously worked as an auditor in Ernst & Young Global Limited from August 1995 to March 1997, a junior internal officer in the private banking division of UBS Securities Asia Limited (previously known as Swiss Bank Corporation Hong Kong Branch) from March 1997 to February 1998, and an officer in the Compliance Department in Hong Kong Futures Exchange Limited from March 1998 to September 1999. He worked in the corporate finance department of Tai Fook Capital Limited, now known as Haitong International Capital Limited, as an assistant manager, a manager and a senior manager respectively from September 1999 to April 2004. From April 2004 to May 2006, he consecutively worked as a senior manager and an associate director in Masterlink Securities (Hong Kong) Corporation Limited. Mr. Ng worked in CIMB Securities (Hong Kong) Limited as a vice president and a senior vice president of corporate finance division from June 2006 to August 2010 respectively. From August 2010 to January 2015, he worked as a director in the investment banking department of CMB International Capital Corporation Limited. Mr. Ng was a managing director of VBG Capital Limited from January 2015 to August 2019. He has been appointed as the Managing Director and Head of Corporate Finance for Shanxi Securities International Capital Limited in August 2019.

Mr. Ng is an independent non-executive director of Dongguang Chemical Limited (stock code: 1702) since June 2017.

Save as disclosed above, Mr. Ng has not held any directorship in any public listed companies in the past three years.

Mr. Wen Peng（文鵬）, aged 43, was appointed as an independent non-executive Director on 18 November 2024. He is also the chairperson of the Nomination Committee and a member of the Audit Committee, Remuneration Committee and Risk Management Committee.

He has more than 13 years of teaching experience in specific areas of human resource management and leadership. Mr. Wen joined the faculty of economics and business administration at Central China Normal University（華中師範大學）in January 2011 as a lecturer, and then he was subsequently promoted to associate professor in 2013 and professor in 2018. Currently, Mr. Wen continues to work as a professor at Central China Normal University. Additionally, from December 2021 to March 2023, Mr. Wen served as an assistant to the principal at Nanchang Normal University（南昌師範學院）.

Mr. Wen obtained his bachelor's degree from the School of Management at Huazhong University of Science and Technology（華中科技大學管理學院）in June 2002. He later earned his master's degree in June 2007 and his doctoral degree in December 2010 from the same university

Mr. Wen has not held any directorship in any public listed company in the past three years.

Ms. Long Mei（龍梅）, aged 52, was appointed as an independent non-executive Director on 18 November 2024. She is also the chairperson of the Remuneration Committee and a member of the Audit Committee.

She is a non-practising certified public accountant in the People's Republic of China. She has been a member of The Chinese Institute of Certified Public Accountants（中國註冊會計師協會）since 1995. Ms. Long obtained a bachelor's degree of finance and accounting from South China Agricultural University（華南農業大學）in 2009 and the medium-grade professional title of accountant in 1993.

She worked for a large accountancy firm with qualifications in securities and has 30 years of experience in accounting, corporate finance, compliance and auditing. Since November 2021, Ms. Long has been serving as an independent non-executive director of JiaChen Holding Group Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 1937).

Save as disclosed above, Ms. Long has not held any directorship in any public listed company in the past three years.

SENIOR MANAGEMENT

Ms. Zhou Lingling（周玲玲）, aged 45, is the general manager of Nantong Meigu Composite Materials Company Limited ("Nantong Meigu"), a subsidiary of the Group. Ms. Zhou graduated from Jiangsu University of Technology（江蘇理工學院）in 2003, and served as the responsible person for the department of product management in Jiangsu Huacheng Technology Co. Ltd.（江蘇華騁科技有限公司）between 2003 and 2017. Ms. Zhou joined Nantong Meigu in early 2018 and has served as an executive director of Nantong Meigu since July 2020.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the GEM Listing Rules as its own code of corporate governance.

Throughout the year ended 31 December 2024, the Company has complied with all the applicable code provisions set out in the CG Code as set out in Part 2 of Appendix C1 to the GEM Listing Rules.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board committees of the Company. Further details of the Board committees of the Company are set out below in this report.

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for day to day management of the Company which is delegated to the management. To this end, monthly financial and operational information are provided to the Board for assessing the performance of the Company and its subsidiaries. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision A.2.1 of the CG Code, which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

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

(d) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

Corporate Governance Report

The Board currently comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. Two independent non-executive Directors have the appropriate professional accounting qualifications or related financial management experience and expertise. Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a term of three and two years respectively until terminated by either the Company or the executive/independent non-executive Director giving each other a one/two months' notice in writing in accordance with the terms of the agreement.

In accordance with article 108(a) of the articles of association of the Company, at each annual general meeting, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Ms. Zhang Yaping, Ms. Shi Dongying and Mr. Ng Sai Leung will retire from office by rotation at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

In accordance with article 112 of the articles of association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Ms. Jin Dan, Mr. Wen Peng and Ms. Long Mei will retire from office by rotation at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders have been duly considered. The Board considers that all the independent non-executive Directors are independent and each of the independent non-executive Directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules.

The Board has established mechanism to ensure independent views and input are available to the Board. The current composition of the Board has a strong independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also provide independent judgment in the Board's overall decision making process. The Board has reviewed the implementation and effectiveness of the board independence mechanism for the year ended 31 December 2024 and considered it to be effective.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

Pursuant to Rule 17.104 of the GEM Listing Rules, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments to the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will continue to take steps to promote gender diversity at all levels, including but not limited to the Board and senior management levels, by taking into account gender diversity factors in the recruitment process, and to develop a pipeline of female mid to senior level management so as to develop a pipeline of potential successors to the Board. This diversity policy is reviewed annually by the Nomination Committee, and where appropriate, revisions will be made with the approval from the Board.

As at the date of this annual report, the Board comprises seven Directors, of whom three are male and four are female. The Board has reviewed the implementation and effectiveness of the board diversity policy of the Company for the year ended 31 December 2024 and considered it to be effective.

NOMINATION POLICY

The Board has adopted a director nomination policy (the "Nomination Policy") on 31 December 2018 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") on 31 December 2018. A summary of the Dividend Policy is disclosed as below.

Subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group, after taking into account the factors as detailed below and determined by the Board from time to time. The remaining net profits will be used for the Group's development and operations. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

In proposing any dividend payout, the Board shall also take into account, inter alia, (i) the Company's actual and expected financial performance; (ii) retained earnings and distributable reserves of the Group; (iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; and (iv) the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company.

Any final dividends declared by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control systems. The Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. The Directors will also be updated from time to time on the business development and operation plans of the Company. All Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices.

Throughout the year ended 31 December 2024, the continuous professional development in the form of materials reading or participation in webcast taken by respective Directors are as follows:

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Mr. Li Yubao	✓	✓
Ms. Zhang Yaping	✓	✓
Ms. Shi Dongying	✓	✓
Ms. Jin Dan *(appointed on 23 August 2024)*	✓	✓
Independent Non-executive Directors		
Mr. Lee Man Tai *(resigned on 18 November 2024)*	✓	✓
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*	✓	✓
Mr. Ng Sai Leung	✓	✓
Mr. Wen Peng *(appointed on 18 November 2024)*	✓	✓
Ms. Long Mei *(appointed on 18 November 2024)*	✓	✓

BOARD MEETINGS

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meetings, draft minutes are circulated to all Directors for comments before confirmation. Minutes of Board meetings and meetings of Board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. The Board held at least a Board meeting for each quarter. Details of the attendance of the Directors during the year ended 31 December 2024 are as follows:

	Attendance
Executive Directors	
Mr. Li Yubao	7/7
Ms. Zhang Yaping	7/7
Ms. Shi Dongying	7/7
Ms. Jin Dan *(appointed on 23 August 2024)*	1/2
Independent Non-executive Directors	
Mr. Lee Man Tai *(resigned on 18 November 2024)*	5/5
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*	7/7
Mr. Ng Sai Leung	7/7
Mr. Wen Peng *(appointed on 18 November 2024)*	1/1
Ms. Long Mei *(appointed on 18 November 2024)*	1/1

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS MEETING

The chairman of the Board holds meeting with the independent non-executive Directors without the presence of other Directors or senior management at least once annually to facilitate expression of independent views.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

Mr. Li Yubao serves as the chairman of the Board and is responsible for overall business development strategy and overall management and major business decisions of the Group. Ms. Zhang Yaping serves as the chief executive officer of the Company and is responsible for general management and day-to-day operation of the Group.

AUDIT COMMITTEE

The Company established an Audit Committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The Audit Committee comprises of three members, namely Mr. Ng Sai Leung, Mr. Wen Peng and Ms. Long Mei, all being independent non-executive Directors. Mr. Ng Sai Leung currently serves as the chairperson of the Audit Committee.

The Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, the review of the Company's financial controls, risk management and internal control systems, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process. The Audit Committee is also responsible for performing corporate governance functions which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to review and monitor the code of conduct and compliance applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. The terms of reference setting out the Audit Committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Group's audited annual results in respect of the year ended 31 December 2024 have been reviewed by the Audit Committee. There was no disagreement between the Board and the Audit Committee regarding selection and appointment of the external auditor in respect of the year ended 31 December 2024.

The Audit Committee held eight meetings during the year ended 31 December 2024, at which the preliminary annual results of the Group for the year ended 31 December 2023, the internal control report of the Company for the year ended 31 December 2023, the resignation of the auditor of the Company, the appointment of the auditor of the Company, and other matters related to the financial and accounting policies and practice were discussed and reviewed. The Audit Committee also reviewed the internal control review report prepared by the independent professional advisor and put forward relevant recommendations to the Board. In addition, the Audit Committee fulfilled its responsibilities in corporate governance and in monitoring the effectiveness of the auditing process and the independence of the auditor at the meetings held during the year ended 31 December 2024. Individual attendance of each committee member at the meetings during the year ended 31 December 2024 is as follows:

	Attendance
Mr. Ng Sai Leung *(Chairperson)*	8/8
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*	7/8
Mr. Lee Man Tai *(resigned on 18 November 2024)*	5/6
Mr. Wen Peng *(appointed on 18 November 2024)*	0/1
Ms. Long Mei *(appointed on 18 November 2024)*	1/1

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The Remuneration Committee comprises of three members, namely Ms. Zhang Yaping, an executive Director, Mr. Wen Peng and Ms. Long Mei, both being independent non-executive Directors. Ms. Long Mei currently serves as the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations on the remuneration of the Directors and senior management to the Board and to review the overall remuneration policy and structure relating to the Directors and senior management. The terms of reference setting out the Remuneration Committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the Remuneration Committee should meet at least once a year. During the year ended 31 December 2024, the Remuneration Committee held three meetings, at which the Group's overall remuneration practices and scale and other remuneration-related matters in respect of the Directors and senior management and the remuneration of the newly appointed Directors were discussed and reviewed. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Ms. Long Mei *(Chairperson) (appointed on 18 November 2024)*	0/0
Mr. Tam Tak Kei Raymond *(Chairperson) (resigned on 12 January 2025)*	3/3
Ms. Zhang Yaping	3/3
Mr. Lee Man Tai *(resigned on 18 November 2024)*	2/2
Mr. Wen Peng *(appointed on 18 November 2024)*	0/0

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2024 is set out below:

	Number of individuals
Nil to RMB500,000	2
RMB500,001 to RMB1,000,000	3

The emoluments of the Directors and senior management of the Group is determined with reference to their experience and responsibilities with the Company, the prevailing market conditions and the terms of the remuneration policy of the Company.

Further details regarding Directors and chief executive's emoluments and the five highest paid individuals are set out in notes 7 and 8 to the consolidated financial statements of this annual report.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The Nomination Committee comprises of three members, namely Ms. Zhang Yaping, an executive Director, Mr. Wen Peng and Mr. Ng Sai Leung, both being independent non-executive Directors. Mr. Wen Peng currently serves as the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; review the time commitment required of the Directors and evaluate whether the Directors have committed adequate time to discharge their responsibilities; review and implement the Nomination Policy; and make recommendations to the Board on relevant matters regarding the appointment or re-appointment of Directors. The terms of reference setting out the Nomination Committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the Nomination Committee should meet at least once a year. During the year ended 31 December 2024, the Nomination Committee held three meetings, at which the structure, size and composition (including the skills, knowledge and experience) of the Board members, gender diversity at the workforce, effectiveness of the related board diversity policy and the Nomination Policy, and the appointment of new Directors were reviewed and considered. It also assessed the independence of the independent non-executive Directors and recommended the re-election of the retired Directors at the annual general meeting of the Company. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Mr. Wen Peng *(Chairperson) (appointed on 18 November 2024)*	0/0
Mr. Lee Man Tai *(Chairperson) (resigned on 18 November 2024)*	2/2
Ms. Zhang Yaping	3/3
Mr. Ng Sai Leung	3/3

RISK MANAGEMENT COMMITTEE

The Company established a Risk Management Committee on 16 December 2016 with written terms of reference. The Risk Management Committee comprises of three members, namely Ms. Shi Dongying and Mr. Li Yubao, both being executive Directors, and Mr. Wen Peng, being independent non-executive Director. Ms. Shi Dongying currently serves as the chairperson of the Risk Management Committee.

The primary duties of the Risk Management Committee include, among others, monitoring the Group's exposure to sanction risks and export controls and the implementation of the related internal control procedures, and evaluate sanctions risks prior to determining whether any business opportunities should be embarked in any sanctioned countries and/or with any sanction persons. The terms of reference setting out the Risk Management Committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the Risk Management Committee should meet at least once a year. During the year ended 31 December 2024, the Risk Management Committee held one meeting. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Ms. Shi Dongying *(Chairperson)*	1/1
Mr. Li Yubao	1/1
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*	1/1
Mr. Wen Peng *(appointed on 18 November 2024)*	0/0

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Ms. Wong Hoi Ting ("Ms. Wong") was appointed as the Company Secretary on 23 June 2023. Ms. Wong is a manager of the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed companies. Her primary contact person in the Company is Ms. Zhang Yaping, the executive Director.

Ms. Wong confirmed that she has undertaken no less than 15 hours of relevant professional training within the year.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 December 2024, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on its audit, on the consolidated financial statements and to report its opinion to the Shareholders. The independent auditor's report about its reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 54 to 58 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the remuneration paid or payable to the external auditor of the Company, CCTH CPA Limited, in respect of the audit and non-audit services (if any) is set out below:

Service Category	Remuneration Paid/Payable HKD'000
Annual audit of the Group's consolidated financial statement for the year ended 31 December 2024	900

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' dealing in securities of the Company. All Directors confirmed that they complied with the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2024. Moreover, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the Directors up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Group's systems of risk management internal control include a defined management structure with limits of authority, which are designed to help achieve business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The division/department head of the Group is accountable for the conduct and performance of such segment within the agreed strategies, which are set by themselves and the Board together, and reports directly to the Board.

In the course of conducting the business of the Group, it is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and it has delegated to executive management to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

The risk management process of the Group involves, among others, (i) an annual risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans and fine tuning of the implementation plan when necessary.

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. Throughout the year ended 31 December 2024, the Group complied with the code provisions on internal control and risk management. In particular, the Group appointed an independent internal control consultant (the "IC Consultant") to carry out a review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions for the year ended 31 December 2024. The IC Consultant has reported findings and areas for improvement to the Audit Committee and management. The Board and the Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Consultant are properly followed up by our Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and the internal control systems for the year ended 31 December 2024 are effective and adequate.

The Group complies with the requirements of Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that the information contained in announcements are not false or misleading through presentation of information in a clear and fair manner.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The Group takes a zero-tolerance approach to corruption and bribery and is committed to acting professionally, fairly and with integrity in all our business dealings. The staff manual provides guidance on employees' behaviours, for example the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. The Group has adopted an anti-corruption policy to promote and support anti-corruption laws and regulations.

For the year ended 31 December 2024, the Group was not aware of any cases of non-compliance with laws and regulations that had a significant impact on the Group in relation to bribery, extortion, fraud, and money laundering.

The Group has adopted a whistleblowing policy to encourage and assist whistle-blowers to disclose information relevant to suspected misconduct, malpractice or irregularity through a confidential reporting channel. The Company will handle the report with care and will treat the whistle-blower's concerns fairly and properly.

Corporate Governance Report

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company. In addition, the Shareholders have the right to nominate a person to stand for election as a Director at any general meeting by lodging a written notice to the Company.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM AND TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The Shareholders may put forward proposals at general meetings by requisitioning an EGM. Pursuant to article 64 of the articles of association of the Company, EGM may be convened by the Board on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

The Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	Room 1603, 16/F China Building 29 Queen's Road Central, Central, Hong Kong
Tel:	2543 0633
Fax:	2543 9996
E-mail:	info@nantongrate.com.cn

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

On 13 January 2017, the Board adopted a Shareholders' communication policy reflecting mostly the current practices of the Company for communication with the Shareholders. Such policy aims to set out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company. The Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

(a) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the respective websites of the Stock Exchange and the Company;

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

The Company reviewed the implementation and effectiveness of the Shareholders' communication policy for the year ended 31 December 2024 and considered it to be effective.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there was no change in the memorandum and articles of association of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report (the "Report") is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

This ESG Report includes our main production operations during the period from 1 January to 31 December 2024 (the "Reporting Period"). These relate to the overall performance, risks, strategies, measures and commitments of four aspects: quality of the working environment, environmental protection, operating practices and community participation.

REPORTING STANDARD

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix C2 to the GEM Listing Rules. An assessment of the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Code was conducted.

REPORTING PRINCIPLES

The following principles are adopted in the Report:

- Materiality: Important and relevant information to stakeholders on different ESG aspects are covered in the Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

GOVERNANCE ON ESG ASPECTS

The Board holds overall responsibility for the Group's ESG strategy and reporting. The Board evaluates and determines the Group's ESG-related risks while ensuring that effective risk management and internal control systems are in place.

Our management is responsible for ensuring the Group's environment, employment and service quality assurance policies are properly implemented.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment.

The Board also monitors management's efforts to implement measures that enhance the Group's ESG performance. The Board continues to explore ways to strengthen the ESG governance of the Group further.

STAKEHOLDERS' FEEDBACK

As the Group strives for excellence, stakeholders' feedback is appreciated, especially on topics listed as of the highest importance in the materiality assessment and its ESG approach and performance. Please give your suggestions or share your views with us at info@yunhongkg.com.

STAKEHOLDER ENGAGEMENT

In order facilitate the long-term business growth and improvement of ESG management, our Group maintain constant communication with various stakeholders. We provide a wide-range of channels for effective communication with various stakeholders, including customers, employees, government and regulators, investors and shareholders, suppliers, business partners, media, and the public. By doing so, we are able to properly address their needs, concerns and expectations associated with our business development and ESG issues.

Stakeholders	Expectations and Concerns	Communication channels
Government/regulatory organizations	• Compliance with laws and regulations	• Announcements and other regulatory reports • Information disclosed on the HKEX website and corporate website
Shareholders and investors	• Return on investments • Corporate governance • Sustainable development • Compliance with laws and regulations	• Information disclosed on the HKEX website and corporate website • Annual general meetings and other shareholders' meetings
Employees	• Employees' compensation and benefits • Career development • Occupational safety and health	• Employee performance evaluation • On-the-job training • Internal email • Regular meetings
Customer	• High-quality products and services • Protection of customer rights and personal data	• Corporate website • Customer service hotline
Business partners/suppliers	• Cooperation with integrity • Business ethics and creditworthiness	• Supplier selection assessment • Suppliers' performance assessment • Supplier meetings
Community/Public	• Compliance with laws and regulations • Involvement in communities • Environmental protection awareness	• Industry events • Corporate social responsibility activities

MATERIALITY ASSESSMENT

Given its role as an integrated manufacturing services supplier and one-stop customer solution provider, the Group interacts with a variety of stakeholders, including employees, customers, regulators, suppliers, shareholders, and local communities, through staff meetings, customer service channels, annual general meetings, community services etc. regularly. The Group has been maintaining an open and transparent dialogue with stakeholders, which is started by understanding their expectations and views on what ESG issues they think matter most and how the Group should be expected to handle such important ESG issues. This helps gauge the expectations of the Group's key stakeholders and collect feedback to guide the Group in formulating and strategizing its ESG management.

During the Reporting Period, The Group has performed materiality assessment on various factors, such as its strategies, development and goals, for environmental, social and governance issues, and graded the environmental, social and governance issues and their respective impact related to the stakeholders.

Significant environmental, social and governance issues were considered to have or may have a significant impact on the following:

- Product/service quality;
- Occupational health and safety; and
- Natural resources consumption.

ENVIRONMENTAL

The Group is aware of the effect of environmental performance on the business, especially on greenhouse gas emission reduction, energy conservation and waste management. The Group constantly updated ourself with the local legislation and standards for environmental protection and assessed whether these legislations and standards are related to the business of the Group and the Group's compliance status. During the year, the Group strictly complies with the relevant national environmental laws and regulations of the People's Republic of China, including but not limited to the Environmental Protection Law, the Law on the Prevention and Control of Water Pollution and the Law on the Prevention and Control of Environmental Pollution by Solid Waste.

Emissions

Air and greenhouse gas emissions

Our air and greenhouse gas emissions are mainly generated from the use of vehicles and the purchase of electricity for manufacturing operations. During the year, the type and volume of emissions by the Group were shown as follows:

	Unit	2024	2023
Air emissions			
Nitrogen oxides	g	**110,613**	11,624
Sulphur oxides	g	**110**	239
Respiratory suspended particles	g	**7,868**	856
Greenhouse gas emissions			
Scope 1	Tonne	**20**	38
Scope 2	Tonne	**1,227**	2,479
Total emissions	Tonne	**1,247**	2,517
Emission intensity	Tonne per million RMB of revenue	**46.2**	52.9

The Group understands that air pollution and greenhouse gas emissions are closely related to climate change and global warming. Hence, we are committed to minimizing environmental impacts through responsible environmental management. To reduce the pollutants emitted to the environment, various air emission reduction facilities and measures are implemented:

- The manufacturing base features numerous windows to maximize natural light and reduce reliance on electronic lighting;
- Eco-friendly machines and equipment have been installed as replacements;
- The manufacturing facility is a single-storey building with a higher roof, providing more space and minimising the use of fans or air-conditioners;
- Office lighting and equipment are turned off during lunch breaks and after office hours to conserve energy; and
- The warehouse which stores dangerous goods is always locked, and lights are switched off when the warehouse is closed.

The Group is committed to reducing greenhouse gas emissions. Through energy saving policies and green measures, it aims to realise the goal of maintaining or reducing the total emissions intensity of greenhouse gas within the next reporting year based on the 2024 benchmark.

Emission of Volatile Organic Compounds ("VOCs")

FRP is a material that is produced by a mix of several raw materials, including glass fibre, resins and other chemical materials. During the manufacturing process, the Group would also release VOCs that emit from (i) styrene – a volatile component of polyester resin and gel coat; and (ii) acetone – a solvent used for cleaning tools and other surfaces contaminated with resin. Since the emission of VOCs is harmful to the environment, the Group has implemented the following measures to mitigate the harmful effect:

- Maintain an active carbon absorption system in specific manufacturing processes to absorb the emission of VOCs;
- The manufacturing base has a single-storey building with a higher roof to increase the space for diluting the emission of VOCs into the air;
- Install a number of industrial fans in certain manufacturing processes to improve the air quality of the manufacturing base; and
- The major VOCs emission source of the Group comes from the colouring process. Staff is not allowed to enter the coating room during the natural drying procedure of colour coating to avoid excessive inhalation of volatile gases.

Waste management

The Group would produce waste materials such as raw materials, packaging materials, waste products, and other wastes during the manufacturing process. The above environmental wastes, which would pollute the land, would be disposed of by the Group to an independent qualified waste collection and disposal services provider. We did not produce hazardous waste. During the year, the type and volume of wastes by the Group were shown as follows:

		Waste produced		**Waste produced (per million RMB of revenue)**	
Types of Waste	**Unit**	**2024**	2023	**2024**	2023
General waste	Tonne	**0.6**	No information	**0.0**	No information
Plastic waste	Tonne	**345.8**	No information	**12.8**	No information
Waste cardboard boxes	Tonne	**0.1**	No information	**0.0**	No information
Waste paper	Tonne	**0.1**	No information	**0.0**	No information

The Group has established a policy to improve manufacturing efficiency, reduce error production, and reduce land contamination. The Group has carried out the following measures:

- Efficient usage of raw materials monitoring;
- Repairing defective products rather than scrapping products. The Group aims to maintain scrapped products rate of less than 0.3%; and
- Other basic household garbage was fully entrusted to the government to handle.

The Group is committed to reduce non-hazardous wastes. Through the above green measures, it aims to realise the goal of maintaining or reducing the total emissions intensity of non-hazardous wastes within the next reporting year based on the 2024 benchmark.

Use of Resources

The Group mainly uses electricity and water for manufacturing operations. During the year, the type and volume of resources used by the Group were shown as follows:

		Consumption		**Consumption intensity (per million RMB of revenue)**	
Resources	**Unit**	**2024**	2023	**2024**	2023
Electricity	kWh	**2,151,154**	2,561,000	**79,692**	53,863
Unleaded petrol	Litre	**7,481**	12,951	**277**	272
Diesel	Litre	**–**	3,000	**–**	63

The Group is committed to minimizing environmental impacts through responsible environmental management. To reduce the energy usage, we have carried out the following measures:

- The manufacturing base features numerous windows to maximize natural light and reduce reliance on electronic lighting;
- Eco-friendly machines and equipment have been installed as replacements;
- The manufacturing facility is a single-storey building with a higher roof, providing more space and minimising the use of fans or air-conditioners;
- Office lighting and equipment are turned off during lunch breaks and after office hours to conserve energy; and
- The warehouse which stores dangerous goods is always locked, and lights are switched off when the warehouse is closed.

The Group is committed to reduce energy consumption. Through energy saving policies and green measures, it aims to realise the goal of maintaining or reducing the total emissions intensity of greenhouse gas within the next reporting year based on the 2024 benchmark.

The Group faces no issues in sourcing water that is fit for purpose, and we enjoy stable water supply to meet daily operational needs. Nonetheless, the Group has implemented measures to raise its employees' awareness about water-saving, including broadcasting water-saving reminders through internal communication channels.

Packaging materials

Our products are custom-made, and the products are also packed based on customer needs. In order to minimize the use of packaging materials, packaging materials from the purchase of raw materials are reused as packaging materials for products where possible.

		Consumption		**Consumption intensity (per million RMB of revenue)**	
Packaging materials	**Unit**	**2024**	2023	**2024**	2023
Plastic materials	kg	**11,450**	2,400	**424**	50
Metals	kg	**30,313**	44,267	**1,123**	931

Environmental and natural resources

The production of FRP has less impact on the environment compared to steel, timber or aluminum productions. Hence, our operation did not have a significant impact on environment and natural resources. Yet, our Group would continue to assess better alternatives for using raw materials that provide similar or better qualities. We will try our best to maintain the balance between operational efficiency and resource consumption. It would allow the Group to have better production without overuse of resources.

Climate change

We are making every effort to improve the Group's capacity to manage climate change risks by fully identifying the various opportunities and challenges posed by climate change and formulating effective counter measures.

Physical Risks

The increasing frequency and severity of extreme weather events such as extreme cold or extreme heat, storms, rainstorms and typhoons, could lead to an increased risk of power shortages, interrupt the operation chain and damage the Group's assets. Considering the risk of business interruption related to extreme weather events, the Group will remain alert to significant policy changes. Further, we are committed to reducing its environmental impact to minimize the impact of any potential tightening of environmental regulations on the Group's business operations.

Transition Risks

The Group monitors changes in the regulatory, technological and market landscape due to climate change, including tightening national policies and GEM Listing Rules. The Group has been taking comprehensive measures to deal with changing situations.

EMPLOYMENT AND LABOUR PRACTICE

Employment

The Group strives to create a fair, respectful and diversified working environment and prohibits discrimination in any form. We treat all employees equally, regardless of their identity, race, and gender, and provide equal treatment and promotion opportunities.

The employment contract specifies the terms, including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. The staff handbook also highlights important information on policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

A good workplace practice should be free from discrimination and equal opportunities for all despite of age, gender, race, colour, gender orientation, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group encourages labour diversity and welcomes all workforce, thus putting the principle of fairness into practice. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 31 December 2024.

The charts below show the gender, age group and grading of our full-time PRC staff:

	No. of staff
Gender	
Male	47
Female	17
Age Group	
18 to 25	3
26 to 35	6
36 to 45	8
46 to 55	33
56 or above	14
Employees by Different Types	
Junior staff	41
Senior staff	18
Management	5

For the year ended 31 December 2024, the Group has total of 64 employees, all are in PRC. The difference in the composition can be explained by the difference in job nature. In addition, the Group welcome any age range of people to join the Group as long as they are keen to learn and participate.

The charts below show the turnover rate by gender and age group of our full-time PRC staff:

	Staff turnover rate (%)
Gender	
Male	45%
Female	29%
Age Group	
18 to 25	100%
26 to 35	50%
36 to 45	50%
46 to 55	18%
56 or above	71%

The Group strives to maintain an employee turnover rate at an acceptable level so as to facilitate the accumulation of professional skills and experience. The turnover of staff is mainly due to the changes in the number of part-time workers in the workshop, which were hired for ad-hoc production projects.

Compliance with laws and regulations

During the year ended 31 December 2024, the Group does not aware of any significant non-compliance with labour law and regulations of the People's Republic of China, including but not limited to the following:

- Labour Law; and
- Labour Contract Law.

Health and Safety

Protecting employees' occupational health and safety is critical for the Group. The Group complies with the Labour Law of the People's Republic of China with respect to occupational safety and health and other applicable regulations for a healthy and comfortable working environment. As there is a high concentration of chemicals in the workplace, fire prevention protection for manufacturing facilities including fire-fighting equipment such as fire extinguishers and fire detection equipment, are equipped and checked regularly to prevent any fire outbreak. Staff also participate in the regular fire drill; smoking is prohibited in all areas.

Occupational health and safety statistics	**2024**	2023	2022
Number of lost days due to work injury	**–**	–	52
Number of work-related fatal accidents	**–**	–	–

Development and Training

Keeping employees trained is part of a fundamental role in business growth and all employees are provided with adequate training this year. The Group encourages employees to continuous development and improves their skill set through training. The Group provides various internal and external training for developing the workforce, including orientation and onboard training for new staff so as for them to adapt to the operation of the Group efficiently and strengthen the skill and knowledge required at work. Onboard training is provided for workers, while specific management training is provided to managers and officers. There are also regular annual appraisals to assess staff performance with their supervisors.

Total Number of Employees Trained

	Number of employees	% of total number of employees
Total number of employees trained	18	28%
By gender	**Number of employees**	**% of total number of employees trained by gender**
Male	16	89%
Female	2	11%
By type of employees	**Number of employees**	**% of total number of employees trained by type of employees**
Junior staff	18	100%
Senior staff	–	–
Management	–	–

Total Training Hours

	Hours
Total hours	324
Average training hours completed (by gender)	
Male	6.13
Female	2.12
Average training hours completed (by type of employees)	
Junior staff	7.90
Senior staff	–
Management	–

Labour Standards

The Group is committed to upholding the labour rights of staff and has established a compliant mechanism for staff to report any labour violations. The management believes that the Group has complied with relevant labour standards for the year ended 31 December 2024. It is always the Group's policy to prohibit the employment of staff members under the legal working age of 18. During the year ended 31 December 2024, no labour disputes between the Company and its staff have been recorded.

The Group's policy is to disqualify the person from employment if they are found to be hired against the requirements of the Labour Contract Law. The Group adhere to the laws and regulations prohibiting child labour and forced labour of the People's Republic of China, which mainly includes the following:

- Labour Law
- Labour Contract Law
- Law on Protection of Minors
- Provisions on the Prohibition of Using Child Labour

OPERATING PRACTICES

Supply Chain Management

The Group prioritizes quality and safety and is committed to reaching its products' standard of safety and quality. A quality supply chain has been set up to ensure high-quality products for customers. In order to minimize the transportation required, all 54 suppliers are located in Mainland China, especially the city and provinces nearby, such as Jiangsu province, Zhejiang province and Shanghai. The Group's policy on supply chain management is as follows:

- great emphasis is placed on the communication and relationship with the suppliers towards sustainable development; and
- assessment of the environmental and social risks of the supply chain is carried out regularly; and suppliers are urged to take measures to reduce their environmental and social risks.

Product Responsibility

Quality assurance and customer satisfaction

As a responsible producer, we are committed to delivering high quality products and services to our customers while fulfilling our responsibility to safeguard customers' privacy, intellectual property rights and our business conduct.

Guidelines on quality control and assurance are formulated to ensure the safety and quality of products. Various inspections are conducted during different production stages: from raw materials and our final products, to ensure meeting our quality standards, customer requirements, and relevant conformity certificates. There is also a one-year warranty provided for the customers. For the year ended 31 December 2024, no products were returned due to safety or quality problems nor were any complaints received from customers.

Data privacy

The Group collects information from suppliers and customers for different purposes and takes appropriate procedures to ensure that the information collected is solely for lawful and relevant purposes. The Group sets out data privacy requirements in the company policies, under which customers' and suppliers' data would be used exclusively for matters relating to the Group's operation only. The Group strives to ensure that all collected data refrains from unauthorized or accidental access, processing, erasure or other use.

Intellectual property rights

Intellectual property protection is requisite for innovation-driven development. The Group formulates intellectual property registration application specifications to regulate the correct use of company design copyrights and trademarks and avoid situations such as damage to rights or infringements caused by failure to declare intellectual property protection on time. The Group also protects its intellectual property rights by prolonged use and registration of domain names and trademarks. The Group's domain names are constantly monitored and renewed before their expiration.

Compliance on laws and regulations

During the year ended 31 December 2024, the Group complied with laws and regulations of the People's Republic of China that significantly impact the Group concerning health and safety, labelling and privacy matters relating to products. This included, but was not limited to the following:

- Law on the Protection of Consumer Rights and Interests
- Advertising Law
- Personal Information Protection Law
- Product Quality Law

Anti-Corruption

A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group takes a zero-tolerance approach to corruption and bribery and is committed to acting professionally, fairly and with integrity in all our business dealings. The staff manual provides guidance on employees' behaviours, for example, the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. The Group encourages staff to report suspected corruption cases.

Whistleblowing Policy and Procedure

We encourage transparency and honesty, and provide channels for reporting the misconduct or malpractices. Any suspicious transactions after investigation would be reported to the relevant governing body by the responsible officer.

Compliance with laws and regulations

During the year ended 31 December 2024, the Group abides by the laws and regulations of the People's Republic of China related to anti-corruption and money laundering, including but not limited to the following:

- Criminal Law;
- Anti-Unfair Competition Law; and
- Company Law.

There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

COMMUNITY INVESTMENT

For the continuous effort to give back to society, the Group would seek opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- Assessment will be taken on how to give business activities to the interests of the community; and
- The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 13 January 2016. Pursuant to the corporate reorganisation in preparation for the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange, the Company held all the issued capital of the subsidiaries comprising the Group since 16 March 2016.

The Shares were listed on GEM of the Stock Exchange on 13 January 2017 by way of placing.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in (i) the research and development, production and sales of fiberglass reinforced plastic products; and (ii) sales of industrial silica sand material in the PRC.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 11 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year ended 31 December 2024 in the share capital of the Company are set out in note 23(a) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 62 of this annual report.

As at 31 December 2024, the Company does not have any reserves available for distribution to equity holders (2023: RMB6.9 million).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 136 of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report are:

Executive Directors:
Mr. Li Yubao *(Chairman)*
Ms. Zhang Yaping *(Chief Executive Officer)*
Ms. Shi Dongying
Ms. Jin Dan *(appointed on 23 August 2024)*

Independent Non-executive Directors:
Mr. Tam Tak Kei Raymond *(resigned on 12 January 2025)*
Mr. Ng Sai Leung
Mr. Lee Man Tai *(resigned on 18 November 2024)*
Ms. Long Mei *(appointed on 18 November 2024)*
Mr. Wen Peng *(appointed on 18 November 2024)*

In accordance with article 108(a) of the articles of association of the Company, Ms. Zhang Yaping, Ms. Shi Dongying and Mr. Ng Sai Leung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 112 of the articles of association of the Company, Ms. Jin Dan, Mr. Wen Peng and Ms. Long Mei will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the independent non-executive directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent to the Company.

DISCLOSURE OF CHANGE IN DIRECTOR'S INFORMATION

Ms. Jin Dan has been appointed as an executive Director with effect from 23 August 2024. Ms. Jin Dan confirmed she has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the GEM Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 23 August 2024 and understood her obligations as a Director.

Mr. Wen Peng has been appointed as an independent non-executive Director with effect from 18 November 2024. Mr. Wen Peng confirmed he has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the GEM Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 18 November 2024 and understood his obligations as a Director.

Ms. Long Mei has been appointed as an independent non-executive Director with effect from 18 November 2024. Ms. Long Mei confirmed she has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the GEM Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 18 November 2024 and understood her obligations as a Director.

Mr. Lee Man Tai has resigned as an independent non-executive Director with effect from 18 November 2024 due to his other business commitments.

Mr. Tam Tak Kei Raymond has resigned as an independent non-executive Director with effect from 12 January 2025 due to his other business commitments.

Save as disclosed above, there is no change in the information of the Directors under Rule 17.50A(1) of the GEM Listing Rules during the year ended 31 December 2024 and up to the date of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for election at the forthcoming annual general meeting has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this report, there was no transaction, arrangement or contract of significance to which the Company or any related companies (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director 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 2024.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and to be notified to the Company and the Stock Exchange are as follows:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Li Yubao ("Mr. Li") *(Note)*	Interest in controlled corporations	162,600,000	40.65%

Note:

Mr. Li is the ultimate controlling shareholder of LF INTERNATIONAL PTE. LTD. ("LFB") and Yunhong Group Co., Limited ("Yunhong"), both of which in turn hold a total of 162,600,000 Shares. Therefore, Mr. Li is deemed, or taken to be, interested in all the Shares held by LFB and Yunhong for the purposes of the SFO.

(ii) Long position in the ordinary shares of associated corporations

Name	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of interests
Mr. Li	LF INTERNATIONAL PTE. LTD. ("LFS") *(Note 1)*	Beneficial Owner	100	100%
	LFB *(Note 2)*	Interest in controlled corporation	1	100%

Notes:

1. LFS is a limited liability company incorporated in Singapore.

2. LFB is wholly-owned by LFS, which is in turn wholly-owned by Mr. Li.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive 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), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2024 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or 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 during the year ended 31 December 2024.

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

As at 31 December 2024, so far as is known to the Directors, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

Name	Capacity/Nature of interest	Number of ordinary shares held/interested in	Percentage of interest in the Company
LFS *(Note 1)*	Interest in a controlled corporation	122,600,000	30.65%
LFB *(Note 1)*	Beneficial owner	122,600,000	30.65%
Yunhong *(Note 2)*	Beneficial owner	40,000,000	10.0%
Mr. Wu Dong ("Mr. Wu") *(Note 2)*	Interest in a controlled corporation	40,000,000	10.0%
Mr. Huang Xuechao	Beneficial owner	44,880,000	11.2%

Notes:

1. LFB is wholly-owned by LFS, which is in turn wholly-owned by Mr. Li. Therefore, each of LFS and Mr. Li is deemed or taken to be interested in the Shares held by LFB under the SFO.

2. Mr. Wu holds approximately 93.67% equity interest in Yunhong, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by Yunhong under the SFO. Among this 93.67% equity interest in Yunhong, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of Yunhong and therefore Mr. Li is deemed or taken to be interested in the Shares held by Yunhong under the SFO.

Save as disclosed above, as at 31 December 2024, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of the material related party transactions are set out in note 25 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, sales to the Group's five customers accounted for 43.0% (2023: 71.2%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 15.0% (2023: 15.8%).

For the year ended 31 December 2024, purchases from the Group's five suppliers accounted for 58.0% (2023: 55.1%) of the total cost of sales of the Group, while the percentage of the total cost of sales of the Group attributable to the Group's largest supplier was approximately 17.0% (2023: 12.6%).

None of the Directors, or any of their associates or any other Shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2024 and up to the date of this report, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duties. The Company has arranged Directors' and officers' liability insurance policy of the Company for the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, the Directors were not aware of any business or interest of each of the Directors, controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued Shares was held by the public as at the date of this report.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2024 and the material factors underlying its results and financial position can be found in the "Management Discussion and Analysis" set out on pages 6 to 12 of this annual report. These discussions form part of this report.

CORPORATE GOVERNANCE

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 17 to 30 of this annual report.

AUDITOR

Crowe (HK) CPA Limited ("Crowe") resigned as the auditor of the Company with effect from 26 July 2023 and Forvis Mazars CPA Limited ("Forvis Mazars", formerly known as Mazars CPA Limited) has been appointed as the auditor of the Company with effect from 6 October 2023 to fill the casual vacancy following the resignation of Crowe. Forvis Mazars resigned as the auditor of the Company with effect from 27 December 2024 and CCTH CPA Limited ("CCTH") has been appointed as the auditor of the Company with effect from 24 January 2025 to fill the casual vacancy following the resignation of Forvis Mazars. Save as disclosed above, there were no other changes in the auditor of the Company during the past three years.

CCTH will hold office until the conclusion of the forthcoming annual general meeting and retire, and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Yaping
Executive Director

Hong Kong,
25 March 2025

Independent Auditor's Report To the members of Yunhong Guixin Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

CCTH CPA LIMITED
中正天恒會計師有限公司

OPINION

We have audited the consolidated financial statements of Yunhong Guixin Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 135, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2024, and of its financial performance and 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 Companies Ordinance.

BASIS FOR OPINION

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

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 27 March 2024.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. 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 are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade and bills receivables	
Refer to notes 2(i)(i), 16, 24(a) and 26(b)(i) to the consolidated financial statements At 31 December 2024, trade and bills receivables amounted to approximately RMB34,920,000, net of provision for impairment losses of approximately RMB6,409,000, for which there are no collateral as security for settlement. In the normal ordinary course of its business, the Group grants its customers with credit period up to 180 days after billing. This may give rise to the risk of allowance for expect credit losses ("ESLs") arising from unfavourable changes in the customers' abilities to settle their trade debts after year end. We identified the impairment of trade and bills receivables as a key audit matter due to the significance of the balances. Furthermore, a significant degree of management estimation is required in assessing impairment losses of trade and bills receivables which may affect their carrying amounts.	Our key audit procedures in relation to the impairment of trade and bills receivables include: • Reviewing the Group's credit control and debt recovery procedures and actions taken to monitor and collect the trade and bills receivables, on a sample basis; • Reviewing historical settlement history of the customers and testing subsequent cash receipts from the customers after the year end; • Assessing ageing analysis trade and bills receivables by customers and updated creditworthiness of the customers; • Enquiring management of any material disputes with customers, assessing and evaluating the implications arising from the discrepancies on the debtor confirmations directly obtained from the customers and reviewing correspondences with the customers for any material potential dispute; • Reviewing the management's assessment on expected credit losses on trade and bills receivables, in particular challenging the reasonableness of the provision matrix by reference to historical bad debt loss rates, payment history and creditworthiness of the customers, and other forward-looking information specific to the customers and the economic conditions; and • Checking the accuracy of calculation of the required provision for the expected credit losses on trade and bills receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2025

The engagement director on the audit resulting in this independent auditor's report is:
Kwong Tin Lap
Practising Certificate number: P01953

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Revenue	3	**26,994**	47,546
Cost of sales		**(25,241)**	(38,044)
Gross profit		**1,753**	9,502
Other revenue and other income	4	**183**	193
Other net gain	4	**164**	288
Revised of impairment (impairment loss) on contract assets and trade and other receivables, net	16(b)	**10,501**	(8,094)
Distribution costs		**(3,151)**	(2,014)
Administrative expenses		**(13,674)**	(9,958)
Loss from operations		**(4,224)**	(10,083)
Finance costs	5(a)	**(238)**	(305)
Loss before taxation	5	**(4,462)**	(10,388)
Income tax credit	6(a)	**95**	1,478
Loss and total comprehensive loss for the year attributable to owners of the Company		**(4,367)**	(8,910)
Loss per share		**RMB cents**	RMB cents
Basic and diluted	9	**(1.09)**	(2.23)

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**23,322**	26,668
Right-of-use assets	12	**2,687**	7,261
Deferred tax assets	20(b)	**–**	2,836
		26,009	36,765
Current assets			
Inventories	14	**2,045**	4,081
Contract assets	15	**211**	1,203
Trade and other receivables	16	**36,354**	42,676
Amount due from a shareholder	18(c)	**271**	–
Pledged bank deposits	13	**–**	1,819
Cash and cash equivalents	17(a)	**15,347**	7,263
		54,228	57,042
Current liabilities			
Trade and other payables	18	**15,376**	18,145
Lease liabilities	19	**3,519**	3,687
Income tax payable	20(a)	**1,326**	2,229
		20,221	24,061
Net current assets		**34,007**	32,981
Total assets less current liabilities		**60,016**	69,746
Non-current liabilities			
Lease liabilities	19	**959**	3,759
Deferred tax liabilities	20(c)	**1,473**	4,036
		2,432	7,795
NET ASSETS		**57,584**	61,951

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	23(a)	**3,600**	3,600
Reserves		**53,984**	58,351
TOTAL EQUITY		**57,584**	61,951

These consolidated financial statements on pages 59 to 135 were approved and authorised for issue by the Board of Directors on 25 March 2025 and signed on its behalf by

Li Yubao
Director

Zhang Yaping
Director

The notes on pages 65 to 135 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Reserves						
	Share capital RMB'000 (note 23(a))	**Share premium** RMB'000 (note 23(b))	**Capital reserve** RMB'000 (note 23(c))	**Property revaluation reserve** RMB'000 (note 23(d))	**Statutory reserve** RMB'000 (note 23(e))	**Retained profits** RMB'000	**Sub-total** RMB'000	**Total equity** RMB'000
At 1 January 2023	3,600	20,900	9,557	–	8,707	28,097	67,261	70,861
Loss and total comprehensive loss for the year	–	–	–	–	–	(8,910)	(8,910)	(8,910)
At 31 December 2023	3,600	20,900	9,557	–	8,707	19,187	58,351	61,951
At 1 January 2024	**3,600**	**20,900**	**9,557**	**–**	**8,707**	**19,187**	**58,351**	**61,951**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,367)**	**(4,367)**	**(4,367)**
At 31 December 2024	**3,600**	**20,900**	**9,557**	**–**	**8,707**	**14,820**	**53,984**	**57,584**

The notes on pages 65 to 135 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Loss before taxation		**(4,367)**	(10,388)
Adjustments for:			
– Depreciation of property, plant and equipment	5(c)	**3,240**	1,019
– Amortisation for right-of-use assets	5(c)	**3,654**	3,192
– (Reversal of impairment) impairment loss on contract assets and trade and other receivables, net		**(10,501)**	8,094
– Provision of write-down of property, plant and equipment	5(c)	**1,255**	–
– Interest income	4	**(106)**	(106)
– Finance costs	5(a)	**238**	305
– Gain on disposal of property, plant and equipment	5(c)	**25**	–
– Loss on impairment of right-of-use assets		**1,557**	–
Operating cash flows before changes in working capital		**(5,005)**	2,116
Changes in working capital			
Decrease in inventories		**2,036**	4,977
Decrease in trade and other receivables		**16,823**	893
Decrease (Increase) in contract assets		**992**	(180)
Increase in amount due from a shareholder		**(908)**	–
Decrease (Increase) in pledged bank deposits		**1,819**	(1,819)
Decrease (Increase) in trade and other payables		**(2,617)**	(5,711)
Cash generated from operations		**13,140**	276
Income taxes paid		**(145)**	(3,436)
Net cash generated from (used in) operating activities		**12,995**	(3,160)
Investing activities			
Purchase of property, plant and equipment		**(1,174)**	–
Payment of right of use assets		**(22)**	–
Interest received		**106**	106
Net cash (used in) generated from investing activities		**(1,090)**	106

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Financing activities			
Capital element of lease rentals paid	17(b)	**(3,583)**	(3,033)
Interest element of lease rentals paid	17(b)	**(238)**	(305)
Net cash used in financing activities		**(3,821)**	(3,338)
Net increase (decrease) in cash and cash equivalents		**8,084**	(6,392)
Cash and cash equivalents at beginning of the reporting period		**7,263**	13,655
Cash and cash equivalents at end of the reporting period	17(a)	**15,347**	7,263

The notes on pages 65 to 135 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Yunhong Guixin Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2017. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands and its principal place of business is 66 South Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

The ultimate parent of the Company is LF INTERNATIONAL PTE. LTD. ("LFS"), a company incorporated in Singapore. The ultimate controlling parties of the Company is Mr. Li Yubao who is the chairman and the executive director of the board of directors of the Company.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in (i) the research and development, production and sales of fiberglass reinforced plastic products; and (ii) sales of industrial silica sand material in the PRC.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards ("HKFRSs"), the collective term of which includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group, note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period, details of which are set out in note 29.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of all entities of the Group. These consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousands of RMB ("RMB'000"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 26.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the group applies the amendments. Under the transitional provisions an entity is not required to disclose:

- comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.

- the information otherwise required by HKAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

In the current year, the group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accounting ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The group has adopted the amendments to HKAS 1, published in January 2020, for the first time in the current year.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The group has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The HKASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The group has adopted the amendments to IFRS 16 for the first time in the current year.

The amendments to HKFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in HKFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the HKASB amended an Illustrative Example in HKFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying HKFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with HKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied HKFRS 16.

(d) Subsidiaries and non-controlling interests

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvement	Over the shorter of the lease terms or 5 years
–	Plant and equipment (including moulds)	3 to 10 years
–	Furniture and fixtures	5 years
–	Motor vehicles	4 years

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other directs costs, including interest costs, attributable to such projects. Costs on completed works are transferred to the appropriate assets category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

(g) Leased assets

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

(i) As a lessee

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(i) As a lessee (Continued)

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

– contract assets as defined in HKFRS 15 when the receivables are not unconditional (e.g. retention money withheld by customers); and

– lease receivables.

Measurement of ECLs

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs *(Continued)*

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

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

– variable-rate financial assets: current effective interest rate; and

– Lease receivables: discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs *(Continued)*

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

Significant increases in credit risk

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk *(Continued)*

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 to demonstrate otherwise.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income ("FVOCI") (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income *(Continued)*

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or past due events;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– right-of-use assets; and

– investments in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use ("VIU"). In assessing VIU, 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(i) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Inventories and other contract costs *(Continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(j)(i)) or property, plant and equipment (see note 2(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(s).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

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.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for expected credit losses (see note 2(i)(i)).

(l) Trade and other payables

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i)(i).

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

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

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

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiary in the PRC has joined defined contributions plans for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above-mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(ii) Termination benefits

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

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

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

(q) Revenue and other income

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Revenue and other income *(Continued)*

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

(i) Sale of goods

Sales of the Group's goods are recognised as follows:

Revenue is recognised when the customer takes possession of and accepts the goods.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(iii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Translation of foreign currencies

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

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

The results and financial position of all the Group entities have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of profit or loss, as part of the gain or loss on sale.

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

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

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

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

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

In the definition of a related party, an associate includes subsidiaries of the associate, and a joint venture includes subsidiaries of the joint venture.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

2. MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Research and development expenditure

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. REVENUE

Revenue represents amount that reflects consideration to which the Group expects to entitled in exchange for the goods sold.

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of fiberglass reinforced plastic products		
– fiberglass reinforced plastic grating	**18,179**	22,255
– epoxy wedge strip	**4,222**	25,291
Sales of Silica sand		
– Silica sand	**4,593**	–
	26,994	47,546
Timing of revenue recognition		
At a point in time	**26,994**	47,546

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 10(b).

4. OTHER REVENUE, OTHER INCOME AND OTHER NET GAIN

	2024 RMB'000	2023 RMB'000
Other revenue		
Interest income on bank deposits	**106**	106
	106	106
Other income		
Government grants and other subsidies (note)	**30**	–
Others	**47**	87
	77	87
	183	193
Other net gain		
Net foreign exchange gain	**164**	288
	164	288

Note: During the year ended 31 December 2024, government grants of approximately RMB30,000 were received a subsidy of market development which does not have other unfulfilled obligations.

5. LOSS BEFORE TAXATION

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

	2024 RMB'000	2023 RMB'000
(a) Finance costs		
Interest on lease liabilities	**238**	305
	238	305
(b) Employee benefits expenses (including directors' remuneration)		
Salaries, wages and other benefits	**8,022**	8,215
Contributions to defined contribution retirement plans	**574**	606
	8,596	8,821
(c) Other items		
Auditor's remuneration		
– auditor of the Company	**829**	1,000
– other auditors (note (i))	**29**	29
Cost of inventories (note (ii))	**25,241**	36,359
Depreciation of property, plant and equipment (note 11)	**3,240**	1,019
Depreciation of right-of-use assets (note 12)	**3,654**	3,192
Research and development costs (note (iii))	**1,024**	1,448
Write-down of property, plant and equipment	**1,255**	–
Gain on disposal of property, plant and equipment	**25**	–

5. LOSS BEFORE TAXATION *(Continued)*

Notes:

(i) The amounts represent remunerations paid to other auditors of Nantong Meigu Composite Materials Company Limited ("Nantong Meigu") for statutory audit service.

(ii) Cost of inventories include RMB3,292,000 relating to employee benefits expenses and RMB2,339,000 relating to depreciation of property, plant and equipment (2023: RMB3,531,000 relating to employee benefits expenses, RMB718,000 relating to depreciation property, plant and equipment for the year ended 31 December 2024, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(iii) Included in research and development costs are employee benefits expenses of RMB795,000 (2023: RMB1,135,000) and costs of materials consumed of RMB1,000 (2023: RMB49,000), the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax recognised in profit or loss:

	2024 RMB'000	2023 RMB'000
Current tax		
The PRC Enterprise Income Tax ("EIT") on profits of a PRC subsidiary of the Group		
– current year	–	1,022
– over-provision in previous year	(368)	–
Deferred tax		
Origination and reversal of temporary differences in respect of		
– provision for impairment losses on trade and other receivables (note 20(b))	2,380	–
– withholding tax on distributed profits of a PRC subsidiary of the Group (note 20(c))	(2,563)	(2,500)
– reversal of write-down of inventories (note 20(b))	456	–
	273	(2,500)
Income tax expenses	(95)	(1,478)

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

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(a) Income tax recognised in profit or loss: *(Continued)*

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

The PRC subsidiaries of the Group are subject to the PRC EIT, 25% (2023: 25%).

(b) Reconciliation between income tax (credit) expense and accounting profit at applicable tax rates:

	2024	2023
	RMB'000	RMB'000
Loss before taxation	**(4,462)**	(10,388)
Notional tax on (loss) profit before taxation attributable to the subsidiaries under the tax jurisdiction of the PRC calculated at 25%	**906**	(1,129)
Notional tax on loss before taxation attributable to the non-PRC entities of the Group under the tax jurisdiction of Hong Kong calculated at 16.5%	**(1,334)**	(969)
Tax effect of non-deductible expenses	**1,419**	1,096
Tax effect of non-taxable incomes	**(2,378)**	–
Tax effect of temporary differences recognised in previous years	**2,836**	–
Unrecognised temporary differences	**696**	2,024
Tax effect of PRC withholding tax on the distributed profits of the Group's PRC subsidiary	**(2,563)**	(2,500)
Tax effect of unrecognised tax losses	**691**	–
Over provision of tax expenses in previous years	**(368)**	–
Income tax credit for the year	**(95)**	(1,478)

7. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVES

Emoluments of the directors of the Company and those of the chief executives of the Group for the year, disclosed pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Company (Disclosure of Information about Benefits of Directors) Regulation, which were included in employee benefits expenses as disclosed in note 5(b), are as follows:

	Directors' fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Employer's contributions to defined contribution scheme RMB'000	Total RMB'000
2024					
Executive directors and chief executives					
Li Yubao	**–**	**677**	**–**	**17**	**694**
Zhang Yaping	**–**	**564**	**–**	**17**	**581**
Shi Dongying	**–**	**111**	**30**	**33**	**174**
Zhou Lingling (note a)	**–**	**–**	**–**	**–**	**–**
Jin Dan (note b)	**199**	**–**	**–**	**–**	**199**
	199	**1,352**	**30**	**67**	**1,648**
Independent non-executive directors					
Ng Sai Leung	**113**	**–**	**–**	**–**	**113**
Tam Tak Kei Raymond (note f)	**113**	**–**	**–**	**–**	**113**
Lee Man Tai (note c)	**103**	**–**	**–**	**–**	**103**
Long Mei (note d)	**9**	**–**	**–**	**–**	**9**
Wen Peng (note e)	**9**	**–**	**–**	**–**	**9**
	347	**–**	**–**	**–**	**347**
Total	**546**	**1,352**	**30**	**67**	**1,995**
2023					
Executive directors and chief executives					
Li Yubao	–	650	–	16	666
Zhang Yaping	–	542	–	16	558
Shi Dongying	–	112	120	36	268
Zhou Lingling (note a)	–	107	90	22	219
	–	1,411	210	90	1,711
Independent non-executive directors					
Ng Sai Leung	108	–	–	–	108
Tam Tak Kei Raymond (note f)	108	–	–	–	108
Lee Man Tai (note c)	108	–	–	–	108
	324	–	–	–	324
Total	324	1,411	210	90	2,035

7. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Note:

a. Zhou Lingling, who served as legal representative and a director of Nantong Meigu, the key operating entity of the Group, and was regarded as a chief executive of the Group.

b. Jin Dan was appointed as an executive director on 23 August 2024.

c. Lee Man Tai resigned as an independent non-executive director on 18 November 2024.

d. Long Mei was appointed as an independent non-executive director on 18 November 2024.

e. Wen Peng was appointed as an independent non-executive director on 18 November 2024.

f. Tam Tak Kei Raymond was resigned as an independent non-executive director on 12 January 2025.

During the year, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals (note 8 below) as an inducement to join or upon joining the Group or as compensation for loss of office (2023: Nil). None of the directors of the Company or the top five highest paid individuals (note 8 below) waived any emoluments during the year (2023: Nil).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emolument, five (2023: two) are directors, Li Yubao, Shi Dongying, Ng Sai Leung, Tam Tak Kei Raymond and Zhang Yaping (2023: Li Yubao and Zhang Yaping), whose emoluments for the years ended 31 December 2024 and 2023 are disclosed in note 7. For the year ended 31 December 2023, the aggregate of the emoluments in respect of 2023: three individuals were as follows:

	2024 **RMB'000**	2023 RMB'000
Basic salaries, allowances and other benefits	**–**	1,963
Employer's contributions to defined contribution retirement schemes	**–**	317
	–	2,280

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals	
	2024	2023
Nil to Hong Kong Dollars ("HK$") 1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
	–	3

9. LOSS PER SHARE

The calculation of the basic loss per share for each of the years ended 31 December 2024 and 2023 has been based on the following data:

	2024	2023
	RMB'000	RMB'000
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(4,367)**	(8,910)
	'000	'000
Number of shares		
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	**400,000**	400,000

Basic loss per share for the year ended 31 December 2024 amounted to RMB1.09 cent (2023: basic loss per share of RMB2.23 cent) per share.

Diluted loss per share is the same as basic loss per share as there were no potential ordinary shares outstanding during the years ended 31 December 2024 and 2023.

10. SEGMENT REPORTING

The Group manages its businesses by business operations in a manner consistent with the way in which information is reported internally to the Group's CODM for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

– fiberglass business: research and development, production and sales of fiberglass reinforced plastic products in the PRC; and

– silica sand business: sales of industrial silica sand materials in the PRC.

10. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

Segment results represent the profit before taxation from each segment except for the unallocated corporate expenses, being central administrative costs.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	For the year ended 31 December 2024			
	Fiberglass business RMB'000	Silica sand business RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	22,401	4,593	–	26,994
Reportable segment gain (loss)	5,733	(1,994)	(8,106)	(4,367)
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	(1,011)	(2,229)	–	(3,240)
Depreciation of right-of-use assets	(2,687)	(45)	(922)	(3,654)
Revised of impairment loss on contract assets	186	–	–	186
Revised of impairment loss (impairment loss) on trade and bills receivables	10,626	(311)	–	10,315
Research and development costs	(1,024)	–	–	(1,024)
Finance costs	(164)	(14)	(60)	(238)
Interest income on bank deposits	106	–	–	106
Reportable segment assets	56,285	23,220	732	80,383
Reportable segment liabilities	6,930	6,529	9,194	22,653
Additions to non-current segment assets during the year	1,174	–	–	1,174

10. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	For the year ended 31 December 2023			
	Fiberglass business RMB'000	Silica sand business RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	47,546	–	–	47,546
Reportable segment loss	(5,384)	(53)	(3,473)	(8,910)
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	(1,019)	–	–	(1,019)
Depreciation of right-of-use assets	(2,687)	(42)	(463)	(3,192)
Impairment loss on contract assets	(79)	–	–	(79)
Impairment loss on trade and bills receivables	(8,015)	–	–	(8,015)
Research and development costs	(1,448)	–	–	(1,448)
Finance costs	(294)	(11)	–	(305)
Interest income on bank deposits	106	–	–	106
Reportable segment assets	68,795	22,751	2,261	93,807
Reportable segment liabilities	17,037	2,918	11,901	31,856
Additions to non-current segment assets during the year	–	2,692	1,906	4,598

10. SEGMENT REPORTING *(Continued)*

(b) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers refers to the location at which the goods were delivered.

	2024 RMB'000	2023 RMB'000
Local customers		
The PRC (excluding Hong Kong) (place of domicile)	**16,434**	38,658
Foreign customers		
The United States of America	**–**	454
The United Kingdom	**8,808**	6,455
France	**655**	347
Uruguay	**289**	890
Others	**808**	742
	10,560	8,888
	26,994	47,546

10. SEGMENT REPORTING *(Continued)*

(b) Geographic information *(Continued)*

The geographical locations of non-current assets other than deferred tax assets are based on the physical location of the asset under consideration.

	2024	2023
	RMB'000	RMB'000
The PRC	**26,009**	32,340
Hong Kong	**–**	1,589
	26,009	33,929

(c) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2024	2023
	RMB'000	RMB'000
Customer A	**4,029**	6,467
Customer B (note)	**2,607**	12,277
Customer C (note)	**1,827**	5,954
Customer D (note)	**1,635**	5,007

Note: The customer individually did not contribute 10% or more of the total revenue of the Group for the relevant year.

The revenue from the customers is derived from the segment of fiberglass business.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and equipment (including moulds) RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2023	19,908	66	450	19,692	1,092	41,208
Addition	2,546	–	–	–	–	2,546
Disposal	(371)	–	–	371	–	–
At 31 December 2023	22,083	66	450	20,063	1,092	43,754
At 1 January 2024	**22,083**	**66**	**450**	**20,063**	**1,092**	**43,754**
Addition	**–**	**–**	**–**	**–**	**1,173**	**1,173**
Disposal/Written off	**–**	**–**	**–**	**–**	**(698)**	**(698)**
Transfer	**(22,083)**	**–**	**–**	**22,083**	**–**	**–**
At 31 December 2024	**–**	**66**	**450**	**42,146**	**1,567**	**44,229**
Accumulated depreciation:						
At 1 January 2023	–	13	408	14,706	940	16,067
Charge for the year	–	13	–	950	56	1,019
At 31 December 2023	–	26	408	15,656	996	17,086
At 1 January 2024	**–**	**26**	**408**	**15,656**	**996**	**17,086**
Charge for the year	**–**	**40**	**–**	**3,002**	**198**	**3,240**
Impairment	**–**	**–**	**–**	**1,255**	**–**	**1,255**
Eliminated on Disposal/ Written off	**–**	**–**	**–**	**–**	**(674)**	**(674)**
At 31 December 2024	**–**	**66**	**408**	**19,913**	**520**	**20,907**
Carrying amounts:						
At 31 December 2024	**–**	**–**	**42**	**22,233**	**1,047**	**23,322**
At 31 December 2023	22,083	40	42	4,407	96	26,668

As at 31 December 2024, included in plant and equipment are moulds amounting to RMB836,000 (2023: RMB970,000), whose costs of RMB8,715,000 (2023: RMB8,484,000) are depreciated on a straight-line basis over their estimated useful lives of 10 years.

During the year ended 31 December 2024, the sales of epoxy wedge strip is decreased significantly, in the opinion of the directors, the company will not continue the production of epoxy wedge strip and therefore, performed an impairment assessment on the equipment solely used in the production of epoxy wedge strip. The recoverable amount of these equipment has been determined based on a market approach. Based on the above assessment, the directors concluded that impairment loss of RMB1,255,000 (2023: Nil) was recognised in respect of the equipment solely for production of epoxy wedge strip.

12. RIGHT-OF-USE ASSETS

	2024 RMB'000	2023 RMB'000
Cost		
At 1 January	**10,675**	8,631
Adjustment upon modification of lease	**–**	(8)
Additions arising from new leases	**1,360**	2,052
Write off during the period	**(1,906)**	–
At 31 December	**10,129**	10,675
Accumulated depreciation		
At 1 January	**3,414**	222
Depreciation charged for the year	**3,654**	3,192
Write off during the period	**(1,183)**	–
Impairment	**1,557**	–
At 31 December	**7,442**	3,414
Carrying amount	**2,687**	7,261

The Group's right-of-use assets in respect of leases of land, various offices, manufacturing premise and staff quarter, which are typically made for fixed periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions.

During the years ended 31 December 2024 and 2023, the land was leased from a company which has beneficial interest. Total capital value at the inception of the lease was amounting to approximately RMB139,000 (2023: 124,000).

As at 31 December 2024, right-of-use assets with the net carrying amount of RMB1,557,000 (before the impairment assessment) was attributable to the lease of office premises in Hong Kong and the factory in PRC. As at 31 December 2024, the recoverable amount of the corresponding CGU is lower than its carrying amount, thus, the directors considered that an impairment loss on right-of-use assets of RMB1,557,000 has been recognised during the year ended 31 December 2024. (2023: Nil).

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

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

The Group has recognised the following amounts for the year:

	2024 RMB'000	2023 RMB'000
Lease payments:		
Interests on lease liabilities	**238**	305
Repayment of lease liabilities	**3,583**	3,033
	3,821	3,338
Total cash outflow for leases	**3,821**	3,338

13. PLEDGED BANK DEPOSITS

As at 31 December 2023, deposits of RMB1,819,000 were placed in the accounts of a bank pledged in favour of banks for bills issuance. According to the relevant agreements, all the pledge assets would be released within 12 months after the end of the reporting period, and accordingly, the amount was classified under current assets as at 31 December 2023. The Group's pledged bank deposits are denominated in RMB.

As at 31 December 2024, no deposit was placed in the accounts of a bank pledged in favour of banks for bills insurance.

14. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**1,827**	2,810
Work in progress	**74**	815
Finished goods	**144**	456
	2,045	4,081

For the year ended 31 December 2024, the cost of inventories recognised as expense and included in cost of sales amounting to RMB11,745,000 (2023: RMB36,359,000).

15. CONTRACT ASSETS

	2024 RMB'000	2023 RMB'000
Contract assets		
Retention monies receivables	**211**	1,389
Less: allowance for lifetime expected credit losses (note 16(b))	**–**	(186)
	211	1,203
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 16)	**36,304**	41,638

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within HKFRS 15 during the year are as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	**1,203**	1,102
Transferred to trade receivables	**(1,079)**	(849)
Recognition of revenue	**87**	1,029
Impairment loss recognised for contract assets	**–**	(79)
As at 31 December	**211**	1,203

Notes:

(a) The contract assets primarily relate to the Group's rights to consideration for goods transferred by the Group to the customers for which the rights to consideration are still conditional upon the customers' satisfaction on the quality of the goods sold which is typically at the expiry date of the assurance-type warranty period, as stipulated in the contracts.

The contract assets are transferred to trade receivables when the rights to consideration become unconditional.

As at 31 December 2024 and 2023, included in contract assets were retention monies receivable from the contract customers amounting to RMB211,000 and RMB1,389,000 respectively. The terms and conditions for the release of retention monies by the contract customers vary from contract to contract, which are subject to the customers' satisfaction of quality upon the expiry of the assurance-type warranty period. The retention monies receivable from the contract customers generally represents 5% to 10% of the total consideration of the relevant contracts, that are retained by the contract customers as securities for non-performance protection, and the Group's entitlement to payment of retention monies receivable are conditional upon the contract customers' physical inspection of the quality of the goods at the expiry of the assurance-type warranty period. In the opinion of the directors of the Company, the retention monies retained by the contract customers under the contracts are not intended as a financing arrangement by the Group to the contract customers.

15. CONTRACT ASSETS *(Continued)*

Notes: *(Continued)*

(b) Impairment assessment of the contract assets

Contract assets are related to the retention monies receivables, which have substantially the same characteristics as the trade receivables for the same types of the contract. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the contract customers. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the rates for contract assets. Since the payment is not due, the expected loss rate of contract assets is assessed to be minimal and accordingly, the net carrying amount of contract assets is still considered fully recoverable at the end of each reporting period. The Group does not hold any collateral as security for the contract assets at the end of each reporting period.

As at 31 December 2024, no allowance for contract assets was provided (2023: RMB186,000) according to the lifetime expected credit loss rates and no provision of impairment loss (2023: RMB79,000) was made on contract assets for the year ended 31 December 2024.

16. TRADE AND OTHER RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Trade receivables	**17,524**	36,443
Bills receivables	**23,805**	21,919
	41,329	58,362
Less: allowance for lifetime expected credit losses	**(6,409)**	(16,724)
Trade and bills receivables, net (notes (a) and (b))	**34,920**	41,638
Other receivables	**1,184**	1,183
Less: allowance for 12-month expected credit losses	**(471)**	(471)
Other receivables, net	**713**	712
Financial assets measured at amortised cost	**35,633**	42,350
Prepayments	**721**	326
	36,354	42,676

The Group has an unconditional right to all of the trade and other receivables which are expected to be recovered and/or recognised as expenses within one year or repayable on demand.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group determines the provision for impairment of trade and bills receivables on a forward-looking basis and lifetime expected credit losses are recognised from initial recognition of the assets and remeasured at the end of each reporting period.

The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Other receivables are considered for 12-month expected credit losses. No provision for 12-month credit losses on the other receivables has been made for the years ended 31 December 2024 and 2023. There was no significant change in credit risk and the default risk was considered as low for the remaining balance of the other receivables.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed bad debt loss rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for lifetime expected credit losses), based on the invoice date, is as follows:

	2024	2023
	RMB'000	RMB'000
0 – 30 days	**1,466**	6,471
31 – 90 days	**2,801**	5,374
91 – 180 days	**3,640**	5,910
181 – 365 days	**900**	11,376
Over 365 days	**26,113**	12,507
	34,920	41,638

The Group generally granted credit terms to its customers for trade and bills receivables ranging from cash on delivery to 180 days (2023: 180 days) after the invoice date.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of contract assets and trade and bills receivables

Impairment loss in respect of contract assets and trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against contract assets and trade and bills receivables directly.

Allowance for lifetime expected credit losses at the end of the reporting period

	2024	2023
	RMB'000	RMB'000
– Trade and bills receivables	**6,409**	16,724
– Contract assets (note 15)	**–**	186
	6,409	16,910

Movements in the allowance for lifetime expected credit losses

	2024	2023
	RMB'000	RMB'000
At 1 January	**16,910**	8,816
Impairment loss recognised		
– contract assets	**–**	79
– trade and bills receivables	**311**	8,015
	311	8,094
Reversal of impairment losses	**(10,812)**	–
At 31 December	**6,409**	16,910

As at 31 December 2024, allowance for contract assets and trade and bills receivables amounting to RMB6,409,000 (2023: RMB16,910,000) was provided according to the lifetime expected credit loss rates and adjusted for forward-looking estimates. Accordingly, provision for lifetime expected credit losses of RMB311,000 (2023: RMB8,094,000) was recognised for the year ended 31 December 2024.

(c) Further details in respect of credit risk of and lifetime ECL on contract assets, and trade and bills receivables are disclosed in note 24(a).

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) The carrying amount of trade and other receivables are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
Trade and bills receivables		
RMB	**31,133**	38,613
United States Dollars ("US$")	**3,787**	3,025
	34,920	41,638
Other receivables		
RMB	**1,434**	1,038
	36,354	42,676

17. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
(a) Cash and cash equivalents comprise:		
Cash at bank	**15,347**	7,258
Cash on hand	**–**	5
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**15,347**	7,263

The carrying amount of cash at bank and on hand are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	**14,685**	4,697
HK$	**11**	78
US$	**651**	2,488
	15,347	7,263

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

17. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	8,435	8,435
Changes from financing cash flows:		
– Capital element of lease payments (note (i))	(3,033)	(3,033)
– Interest element of lease payments (note (i))	(305)	(305)
Other non-cash changes:		
– Modification of lease	(8)	(8)
– New leases	2,052	2,052
– Interest expenses recognised in profit or loss	305	305
At 31 December 2023 and 1 January 2024	7,446	7,446
Changes from financing cash flows:		
– Capital element of lease payments (note (i))	**(3,583)**	**(3,583)**
– Interest element of lease payments (note (i))	**(238)**	**(238)**
Other non-cash changes:		
– Modification of lease	**(745)**	**(745)**
– New leases	**1,360**	**1,360**
– Interest expenses recognised in profit or loss	**238**	**238**
At 31 December 2024	**4,478**	**4,478**

Note:

(i) It comprised the repayment of lease liabilities (including both capital and interest elements) for an aggregate amount of RMB11,000 (2023: RMB11,000) to the companies in which the ultimate controlling shareholder of the Company has beneficial interest.

18. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**1,475**	2,061
Bills payables	**–**	897
Trade and bills payables (note (a))	**1,475**	2,958
Other payables		
Amounts due to a director (note (b))	**3,489**	7,039
Amount due to a shareholder (note (c))	**–**	637
Employee benefits payables	**2,697**	1,914
Other tax payables	**98**	644
Accrual for professional services fee	**496**	1,600
Contract liabilities (note (d))	**270**	179
Payables for construction in progress (note (e))	**2,546**	2,546
Others	**4,305**	628
	13,901	15,187
	15,376	18,145

(a) The credit period of trade payables normally varies from one to three months from the invoice date.

The credit period of bills payables is normally within 90 to 270 days. As at 31 December 2024 and 2023, the bills payables is expected to be settled within one year.

The following is an analysis of trade and bills payables by age based on the invoice date:

	2024 RMB'000	2023 RMB'000
0 – 30 days	**166**	2,303
31 – 90 days	**139**	106
91 – 180 days	**112**	33
Over 180 days	**1,058**	516
	1,475	2,958

18. TRADE AND OTHER PAYABLES *(Continued)*

(b) Amounts due to a director

	2024 RMB'000	2023 RMB'000
Amounts due to Zhang Yaping	**3,489**	7,039

The amount due was unsecured, interest-free and repayable on demand.

(c) Amount due from (to) a shareholder

	2024 RMB'000	2023 RMB'000
Amount due from (to) Yunhong Group Co., Limited	**271**	(637)

The amount due was unsecured, interest-free and repayable on demand.

(d) Contract liabilities

	2024 RMB'000	2023 RMB'000
Contract liabilities – third parties	**270**	179

Contract liabilities primarily consist of the advance from customers for further goods to be provided.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	**179**	992
Recognised as revenue	**(179)**	(934)
Receipt of advances or recognition of receivables	**270**	121
As at 31 December	**270**	179

18. TRADE AND OTHER PAYABLES *(Continued)*

(d) Contract liabilities *(Continued)*

For the year ended 31 December 2024, the decrease in contract liabilities was mainly due to recognition of revenue, thereby decreasing the amount arising from the receipt of advances or recognition receivables. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

As at 31 December 2024, most of the contract liabilities are expected to be settled within next 12 months. Information related to the aggregated amount of transaction price allocated to the remaining performance obligations has not been disclosed as the Group had applied the practical expedients under HKFRS 15.

(e) The payables for construction in progress are expected to settle within one year.

19. LEASE LIABILITIES

As at 31 December 2024, the lease liabilities were payable as follows:

	2024	2023
	RMB'000	RMB'000
Current portion	**3,519**	3,687
Non-current portion	**959**	3,759
	4,478	7,446

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2024	2023
	RMB'000	RMB'000
Current year		
PRC EIT	**1,326**	2,229

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

(b) Deferred tax assets

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

	Temporary differences in respect of		
	Reversal of write down of inventories	**Provision for impairment losses on receivables**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2023	456	2,380	2,836
Disposal of a subsidiary	–	–	–
(Charged) Credited to consolidated profit or loss (note 6(a))	–	–	–
At 31 December 2023 and 1 January 2024	**456**	**2,380**	**2,836**
(Charge) Credited to consolidated profit or loss (note 6(a))	**(456)**	**(2,380)**	**(2,836)**
At 31 December 2024	**–**	**–**	**–**

At 31 December 2024, the Group has not recognised deferred tax assets in respect of deductible temporary differences of RMB311,000 (2023: RMB8,094,000) which related to provision for impairment losses on receivables, and temporary differences of RMB 2,724,000 (2023: Nil) which related to unutilised tax losses, and available for offset against future profits. No deferred tax assets have been recognised in relation to such deductible differences as it is not probable that taxable profits will be available against which the deductible temporary difference can be recognised.

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

(c) Deferred tax liabilities

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

	Temporary differences in respect of	
	Distributable profits from a PRC subsidiary	**Total**
	RMB'000	RMB'000
At 1 January 2023	6,536	6,536
Credited to consolidated profit or loss (note 6(a))	(2,500)	(2,500)
At 31 December 2023 and 1 January 2024	**4,036**	**4,036**
Credited to consolidated profit or loss (note 6(a))	**(2,563)**	**(2,563)**
	1,473	**1,473**

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors in respect of profits earned by PRC subsidiaries.

For the Group's PRC subsidiaries, the applicable rate is 10%. Deferred tax liability is provided on earnings that the relevant Group's entities are expected to distribute in the foreseeable future.

In the opinion of the directors of the Group, as at 31 December 2024, it probable that the remaining unremitted earnings (the "Remaining Earnings") of the Group's subsidiaries of approximately RMB54,573,000 (2023: RMB23,390,000) will not be distributed in the foreseeable future and therefore no provision for deferred tax has been made. The estimated withholding tax effect on the distribution of Remaining Earnings was approximately RMB5,457,300 (2023: RMB2,339,000) at 31 December 2024.

21. EMPLOYEE RETIREMENT BENEFITS

Under the stated-managed retirement benefit scheme, the contributions once made by the employer will vest fully with the employees, and no forfeiture could be made by the Group. Accordingly, there is no forfeited contribution available for the Group to reduce its existing level of contributions to the retirement benefit scheme in future years.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in profit or loss of RMB574,000 (2023: RMB606,000) for year ended 31 December 2024, representing contributions payable to these plans by the Group at rates specified in the rules of the plans.

22. SUBSIDIARIES

The particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital/ registered capital	Effective interest held by the Company
Direct interests:				
Prosperous Composite Material Co., Ltd	The BVI/ 7 November 2006/ Limited liability company	Investment holding, Hong Kong	US$100,000	100%
Brighten Forest Limited	The BVI/ 15 July 2021/ Limited liability company	Investment holding, Hong Kong	US$1	100%
Soar Journey Limited	The BVI/ 15 July 2021/ Limited liability company	Investment holding, Hong Kong	US$1	100%

22. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital/ registered capital	Effective interest held by the Company
Indirect interests:				
南通美固複合材料有限公司 (Nantong Meigu Composite Materials Company Limited*)	The PRC/ 24 April 2003/ Wholly foreign-owned enterprise	Research and development, production and sales of fiberglass reinforced plastic products in the PRC	US$3,000,000	100%
China Nine Continents Group Limited	Hong Kong/ 23 August 2021/ Limited liability company	Investment holding, Hong Kong	HK$1	100%
China Five Oceans Group Limited	Hong Kong/ 23 August 2021/ Limited liability company	Investment holding, Hong Kong	HK$1	100%
湖北澳訊新材料技術有限公司 (Hubei Aoxun New Material Technology Company Limited*)	The PRC/ 16 September 2021/ Limited liability company	Sale of building material, the PRC	US$30,000,000	100%
國硅新材料(內蒙古)有限公司 (Guogui New Material (Inner Mongolia) Company Limited*)	The PRC/ 8 October 2021/ Limited liability company	Sales of industrial silica sand material, the PRC	RMB50,000,000	100%

* The official names are in Chinese and the English names are translated for identification purpose only.

23. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out in note 27(b).

(a) Share capital

	2024 Number of shares	**2024** Share capital HK$'000	2023 Number of shares	2023 Share capital HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	**2,000,000,000**	**20,000**	2,000,000,000	20,000
		RMB'000		RMB'000
Issue and fully paid:				
At beginning and end of the year	**400,000,000**	**3,600**	400,000,000	3,600

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

(b) Share premium

The application of share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholder of the Company provided that immediately the following date, on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

(c) Capital reserve

The Group's capital reserve represented the Company's beneficial owners' contributions for 85.37% of the registered capital of Nantong Meigu which has become an indirect and wholly owned subsidiary of the Company since 16 March 2016.

23. CAPITAL AND RESERVES *(Continued)*

(d) Property revaluation reserve

The property revaluation reserve comprises the net change in the fair value from net book value at the date when the property, plant and equipment and right-of-use assets changed in use and reclassified as investment property.

On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

(e) Statutory reserve

Pursuant to applicable PRC regulations, the PRC subsidiary in the Group is required to appropriate 10% of its profit after tax to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(f) Capital 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 monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less relevant pledged bank deposits, and cash and cash equivalents. Total capital is calculated as total equity attributable to owners of the Company as shown in the consolidated statements of financial position plus net debt.

The Group is not subject to any externally imposed capital requirements.

23. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The gearing ratios as at 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents (note 17(a))	**15,347**	7,263
Net cash	**(15,347)**	(7,263)
Total equity attributable to owners of the Company	**57,584**	61,951
Total capital	**42,237**	54,688
Gearing ratio	**N/A**	N/A

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial instruments of the Group include contract assets (note 15), trade and other receivables (excluding prepayments) (note 16), pledged bank deposits (note 13), cash and cash equivalents (note 17(a)) and trade and other payables (note 18).

The Group has exposure to credit risk, liquidity risk and currency risk arising from financial instruments. 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 in a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The Group's credit risk is primarily attributable to contract assets, trade and other receivables, cash and cash equivalents and pledged bank deposits. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and other receivables are usually due within one year from the date of billing. For debtors with balances past due, further credit would not be granted until all outstanding balances are settled. Normally, the Group does not obtain collateral from its customers.

The Group's cash and cash equivalents and pledged bank deposits are placed with creditworthy banks with high credit ratings and the Group has limited exposure to any of these banks.

In respect of contract assets and trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Contract assets are substantially the same characteristics as the trade receivables for the same types of contracts. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers and the Group considered that there has not been a significant change in credit quality of the contract customers. The default risk of the industries and countries in which customers operate also has an influence on credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2024, 51% (2023: 31%) and 73% (2023: 73%), of the total of trade and bills receivables was due from the Group's largest debtor and the five largest debtors, respectively.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

Maximum exposure and year-end staging as at 31 December 2024

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets (note 15)	–	–	–	211	211
Trade and other receivables (note 16)	713	–	–	34,920	35,633
Amount due from a shareholder	271	–	–	–	271
Pledged bank deposits (note 13)	–	–	–	–	–
Cash and cash equivalents (note 17(a))	15,347	–	–	–	15,347
	16,331	–	–	35,131	51,462

Maximum exposure and year-end staging as at 31 December 2023

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets (note 15)	–	–	–	1,203	1,203
Trade and other receivables (note 16)	712	–	–	41,638	42,350
Pledged bank deposits (note 13)	1,819	–	–	–	1,819
Cash and cash equivalents (note 17(a))	7,263	–	–	–	7,263
	9,794	–	–	42,841	52,635

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

In order to determine the expected credit losses for the portfolio of contract assets, trade and other receivables at the end of each reporting period, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt loss rates, adjusted for forward-looking estimates and market conditions. At the end of each reporting period, the historical observed bad debt loss rates and the forward-looking estimates are updated.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2024 and 2023.

	As at 31 December 2024				
	Lifetime ECL %	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit Impaired Yes/No
Non-credit impaired					
Not past due	7.62%	29,070	(2,215)	26,855	No
Past due					
Within 1 month	15%	2,394	(359)	2,035	No
1 to 3 months	16.24%	1,749	(284)	1,465	No
3 months to 1 year	25%	5,364	(1,341)	4,023	No
Over 1 year	68%	2,355	(1,602)	753	No
		40,932	(5,801)	35,131	
Credit impaired					
Over 1 year	100%	608	(608)	–	Yes
		41,540	(6,409)	35,131	
Represented by:					
Contract assets (note 15)		211	–	211	
Trade and bills receivables (note 16)		41,329	(6,409)	34,920	
		41,540	(6,409)	35,131	

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

	As at 31 December 2023				
	Lifetime ECL %	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit Impaired Yes/No
Non-credit impaired					
Not past due	13.3	19,780	(2,631)	17,149	No
Past due					
Within 1 month	17.0	4,214	(716)	3,498	No
1 to 3 months	17.9	4,724	(845)	3,879	No
3 months to 1 year	28.1	23,972	(6,747)	17,225	No
Over 1 year	82.8	6,334	(5,244)	1,090	No
		59,024	(16,183)	42,841	
Credit impaired					
Over 1 year	100.0	727	(727)	–	Yes
		59,751	(16,910)	42,841	
Represented by:					
Contract assets (note 15)		1,389	(186)	1,203	
Trade and bills receivables (note 16)		58,362	(16,724)	41,638	
		59,751	(16,910)	42,841	

Lifetime expected loss rates of contract assets and trade and bills receivables are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the contract assets and trade and bills receivables.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to each entity's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	On demand RMB'000	**Within 1 year RMB'000**	**1 – 2 year RMB'000**	**Over 2 years RMB'000**	**Total contractual undiscounted payables RMB'000**	**Total carrying amounts RMB'000**
As at 31 December 2024						
Trade and other payables	**3,489**	**9,190**	**–**	**–**	**12,679**	**12,679**
Lease liabilities	**–**	**3,694**	**780**	**248**	**4,722**	**4,478**
	3,489	**12,864**	**780**	**248**	**17,401**	**17,157**

	On demand RMB'000	Within 1 year RMB'000	1 – 2 year RMB'000	Over 2 years RMB'000	Total contractual undiscounted payables RMB'000	Total carrying amounts RMB'000
As at 31 December 2023						
Trade and other payables	7,676	8,555	–	–	16,231	16,231
Lease liabilities	–	3,922	3,719	150	7,791	7,446
	7,676	12,477	3,719	150	24,022	23,677

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Currency risk

Exposure to currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, which were attributable to sales transactions entered into by the Group with foreign customers.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which it relates. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	2024 United States Dollars RMB'000	2023 United States Dollars RMB'000
Trade receivables	**3,787**	3,025
Cash and cash equivalents	**651**	2,488
Gross exposure arising from recognised assets	**4,438**	5,513

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Currency risk *(Continued)*

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase (decrease) in foreign exchange rates	**Effect on loss after taxation and retained profits RMB'000**	Increase (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits RMB'000
US$	**5%**	**(222)**	5%	(276)
	(5%)	**222**	(5%)	276

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss or profit after taxation and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2023.

25. RELATED PARTY TRANSACTIONS

Saved as those disclosed elsewhere in these consolidated financial statements, the Group has entered into the following related party transactions in the ordinary course of its business during the reporting period:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7, certain of the highest paid employees as disclosed in note 8 and senior management, is as follows:

	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	**2,155**	2,320
Post-employment benefits	**96**	112
	2,251	2,432

26. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Income tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

26. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(ii) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(iii) Deferred tax liabilities for withholding taxes

Deferred tax liabilities have been established for withholding tax payable on undistributed earnings of a subsidiary in the PRC based on that the directors considered that the undistributed earnings are to be repatriated and distributed by way of dividends. The directors' assessment is constantly reviewed and deferred tax liabilities are adjusted when the results of assessment change.

(iv) Construction in progress

Construction in progress represents property, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. The progress of construction works would be continuously monitored and reviewed by directors, and construction in progress is transferred to appropriate categories of property, plant and equipment and is depreciated when substantially all the activities necessary to prepare the assets for their intended use are completed.

(b) 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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

26. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(i) Impairment of contract assets and receivables

The Group determines the provision for impairment of contract assets, and trade and other receivables on a forward-looking basis. Lifetime ECLs on contract assets, and trade and bills receivables are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the contract assets, and trade and bills receivables with similar credit risk characteristics and is adjusted for forward looking estimates. Other receivables are considered for 12-month ECLs unless there has been a significant increase in credit risk of the financial instruments since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At the end of each reporting period, the observed historical bad debt loss rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management. If the ECL rates on the trade receivables between 3 months to 1 year past due had been 1% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been RMB240,000 (2023: RMB240,000) higher (lower).

(ii) Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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

The management determines the impairment loss on property, plant and equipment and right-of-use assets if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically and where an indicator of impairment appears, in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline occurred, the carrying amounts reduced to recoverable amount.

26. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Impairment of property, plant and equipment and right-of-use assets (Continued)

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

(iv) Valuation of inventories

Inventories are carried at the lower of cost and net realisable value at the end of each reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of each reporting period and assesses the need for write down of inventories.

(v) Product warranty clause

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the quality of the products, which were sold by the Group and accepted by the customers, for a specified period of time, normally one to two years after the control of the products were transferred to the customers. The assurance type warranty cannot be separately purchased by the customers and it only provides assurance that the products transferred by the Group comply with the agreed-up specifications. The Group considered the facts that there were no significant costs incurred in the past for its sold products during the warranty period after sales and at the reporting period end, the Group was not aware of any events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clause of the sales agreements for those goods sold to the customers.

27. THE COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Investments in subsidiaries		**29,903**	29,903
Right-of-use assets		**–**	1,589
		29,903	31,492
Current assets			
Prepayments and deposits		**147**	398
Amounts due from a subsidiary	27(a)	**8,463**	8,460
Cash and cash equivalents		**95**	68
		8,705	8,926
Current liabilities			
Trade and other payables		**2,330**	2,064
Lease liabilities		**666**	945
Amounts due to a subsidiary	27(a)	**18,539**	18,539
Amount due to a shareholder	18(c)	**637**	637
Amounts due to a director	18(b)	**13,339**	7,039
		35,511	29,224
Net current liabilities		**(26,806)**	(20,298)
Total assets less current liabilities		**3,097**	11,194
Non-current liabilities			
Lease liabilities		**641**	657
NET ASSETS		**2,456**	10,537
Capital and reserves			
Share capital	23(a)	**3,600**	3,600
Reserves	27(b)	**(1,144)**	6,937
TOTAL EQUITY		**2,456**	10,537

This statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2025 and signed on its behalf by

Li Yubao
Director

Zhang Yaping
Director

27. THE COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES *(Continued)*

Notes:

(a) Amounts due from (to) a subsidiary

The amounts due are unsecured, interest-free and repayable on demand.

(b) Company-level reserves

Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out below:

	Share premium RMB'000 (note 23(b))	**Capital reserve** RMB'000 (note 23(c))	**Accumulated losses** RMB'000	**Total carrying amounts** RMB'000
As at 1 January 2023	20,900	29,903	(38,020)	12,783
Loss and total comprehensive loss for the year	–	–	(5,846)	(5,846)
As at 31 December 2023 and as at 1 January 2024	20,900	29,903	(43,866)	6,937
Loss and total comprehensive loss for the year	**–**	**–**	**(8,081)**	**(8,081)**
As at 31 December 2024	**20,900**	**29,903**	**(51,947)**	**(1,144)**

28. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the years ended 31 December 2024 and 2023.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements [1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [1]
Amendments to HKAS 21	Lack of Exchangeability [1]
HKFRS 18	Presentation and Disclosures in Financial Statements [2]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2027
[3] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 25 March 2025.

Financial Summary

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Revenue	97,608	78,624	62,287	47,546	**26,994**
Cost of sales	(65,121)	(57,602)	(46,665)	(38,044)	**(25,241)**
Gross profit	32,487	21,022	15,622	9,502	**1,753**
Other revenue and other income	274	304	2,429	193	**183**
Other net gain (loss)	(1,182)	(327)	966	288	**164**
Fair value gain on investment property	–	100	–	–	**–**
Gain on disposal of a subsidiary	–	–	3,537	–	**–**
Impairment losses on contract assets and trade and other receivables	(1,512)	(659)	(5,269)	(8,094)	**10,501**
Distribution costs	(4,166)	(4,336)	(2,126)	(2,014)	**(3,151)**
Administrative expenses	(15,839)	(14,864)	(10,830)	(9,958)	**(13,674)**
Profit (loss) from operations	10,062	1,240	4,329	(10,083)	**(4,224)**
Finance cots	(306)	(294)	(60)	(305)	**(238)**
Profit (loss) before taxation	9,756	946	4,269	(10,388)	**(4,462)**
Income tax (expenses) credit	(4,207)	(2,989)	(1,654)	1,478	**95**
Profit (Loss) attributable to owners of the Company	5,549	(2,043)	2,615	(8,910)	**(4,367)**
Other comprehensive income for the year	–	11,132	–	–	**–**
Total comprehensive income (loss) for the year attributable to owners of the Company	5,549	9,089	2,615	(8,910)	**(4,367)**

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	97,642	110,579	111,785	93,807	**80,237**
Total liabilities	(38,552)	(42,333)	(40,924)	(31,856)	**(22,653)**
	59,090	68,246	70,861	61,951	**57,584**