中国安储能源集团
China AnChu Energy Storage Group

# CHINA ANCHU ENERGY STORAGE GROUP LIMITED
# 中國安儲能源集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2399)**

## ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of China Anchu Energy Storage Group Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**").

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group increased by 6.8% to RMB645.1 million (2022: RMB603.9 million).
- Gross profit of the Group increased by 3.6% to RMB147.8 million (2022: RMB142.6 million).
- Net loss of the Group was RMB4.5 million (2022: RMB88.6 million).
- Basic and diluted loss per share was RMB2.33 cents (2022: RMB4.67 cents).
- The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

| | 2023 | 2022 | Change |
|---|---|---|---|
| **Profitability ratios** | | | |
| Gross profit margin | **22.9%** | 23.6% | –0.7 ppt |
| Net loss margin | **–0.7%** | –14.7% | +14.0 ppt |
| Return on equity[(1)] | **–0.7%** | –20.4% | +19.7 ppt |
| **Liquidity ratios** | | | |
| Inventory turnover (Days)[(2)] | **31** | 34 | –3 |
| Trade receivables turnover (Days)[(3)] | **291** | 174 | +117 |
| Trade payables turnover (Days)[(4)] | **247** | 123 | +124 |
| **Capital ratios** | | | |
| Net Debt to equity ratio (%)[(5)] | **56.3%** | 100.6% | –44.3 ppt |
| Gearing ratio [(6)] | **66.5%** | 116.8% | –50.3 ppt |

*Notes:*

(1) Net loss for the Year divided by total equity.

(2) Average of the inventory at the beginning and at the end of the Year divided by cost of sales times number of days during the Year.

(3) Average of the trade receivables at the beginning and at the end of the Year divided by revenue times number of days during the Year.

(4) Average of the trade payables at the beginning and at the end of the Year divided by costs of sales times number of days during the Year.

(5) Net debt divided by total equity as at the end of the Year. Net debt includes bank borrowings, corporate bonds, convertible bonds and loans from a shareholder net of cash and cash equivalents and pledged bank deposit held at bank.

(6) Total debts divided by the total equity as of the end of the Year.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2023*
(Expressed in Renminbi)

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Revenue** | *4* | **645,084** | 603,911 |
| Cost of sales | | **(497,333)** | (461,281) |
| **Gross profit** | | **147,751** | 142,630 |
| Other income and other gains or losses | *5* | **17,123** | 15,759 |
| Impairment loss of intangible assets | | **–** | (6,911) |
| Impairment losses under expected credit losses model, net of reversal | | **(2,920)** | (113,557) |
| Selling and distribution expenses | | **(21,638)** | (41,029) |
| Administrative and other operating expenses | | **(89,584)** | (74,314) |
| **Profit/(loss) from operations** | | **50,732** | (77,422) |
| Finance costs | *6(a)* | **(35,860)** | (30,617) |
| **Profit/(loss) before taxation** | *6* | **14,872** | (108,039) |
| Income tax (expenses)/credit | *7* | **(19,365)** | 19,396 |
| **Loss for the year** | | **(4,493)** | (88,643) |
| **Other comprehensive (expense)/income for the year** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "**PRC**") to presentation currency | | **(116)** | 4,787 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2023*

(Expressed in Renminbi)

| | *Notes* | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|---|
| **Other comprehensive (expense)/income for the year** | | **(116)** | 4,787 |
| **Total comprehensive expenses for the year** | | **(4,609)** | (83,856) |
| **(Loss)/profit for the year attributable to:** | | | |
| — Equity owners of the Company | | **(52,266)** | (100,012) |
| — Non-controlling interest | | **47,773** | 11,369 |
| | | **(4,493)** | (88,643) |
| **Total comprehensive (expense)/income attributable to:** | | | |
| Equity owners of the Company | | **(52,693)** | (96,573) |
| Non-controlling interest | | **48,084** | 12,717 |
| | | **(4,609)** | (83,856) |
| **Loss per share (RMB cents)** | *8* | | |
| Basic and diluted | | **(2.33)** | (4.67) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

(Expressed in Renminbi)

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **22,706** | 27,164 |
| Investment properties | | **372,143** | 375,424 |
| Right-of-use assets | | **222,887** | 234,124 |
| Intangible assets | | **40,165** | 45,413 |
| Prepayment for acquisition of property, plant and equipment | | **30,106** | 4,601 |
| Deferred tax assets | | **100,258** | 101,929 |
| | | **788,265** | 788,655 |
| **Current assets** | | | |
| Inventories | | **30,701** | 54,308 |
| Trade and other receivables | *9* | **836,211** | 420,314 |
| Pledged bank deposit | | **–** | 20,000 |
| Cash and cash equivalents | | **70,319** | 50,375 |
| | | **937,231** | 544,997 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **513,784** | 337,881 |
| Bank borrowings | | **382,000** | 411,121 |
| Lease liabilities | | **4,194** | 4,159 |
| Corporate bonds | | **11,436** | 28,628 |
| Loans from a shareholder | | **36,744** | – |
| Current taxation | | **25,972** | 4,930 |
| | | **974,130** | 786,719 |
| **Net current liabilities** | | **(36,899)** | (241,722) |
| **Total assets less current liabilities** | | **751,366** | 546,933 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**
*At 31 December 2023*
(Expressed in Renminbi)

| | *Notes* | **2023** **RMB'000** | 2022 *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **37,740** | 37,740 |
| Lease liabilities | | **867** | 5,057 |
| Convertible bond | *12* | **2,647** | 46,945 |
| Corporate bonds | | **23,692** | 21,835 |
| | | **64,946** | 111,577 |
| **Net assets** | | **686,420** | 435,356 |
| **Capital and reserves** | | | |
| Share capital | *11* | **5,629** | 4,420 |
| Reserves | | **612,655** | 410,884 |
| **Equity attributable to equity owners of the Company** | | **618,284** | 415,304 |
| Non-controlling interest | | **68,136** | 20,052 |
| **Total equity** | | **686,420** | 435,356 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*
*(Expressed in Renminbi unless otherwise indicated)*

### 1 GENERAL INFORMATION

China Anchu Energy Storage Group Limited (the "**Company**") was incorporated in the Cayman Islands on 23 December 2013 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing in the PRC and sales of energy storage battery in the PRC.

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2023, the Group has net current liabilities of approximately RMB36,899,000 and loss for the Year was approximately RMB4,493,000.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. The Directors have prepared the Group's cash flow projections for the period of not less than 12 months from the end of reporting period after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) The Group has obtained certain banking facilities with banks of maximum credit amounts of RMB458,800,000 by secured certain asset of the Group and financial guarantee from the shareholders of the Company. As at 31 December 2023, the unutilised facilities amount in respect of bank borrowings as at 31 December 2023 was approximately RMB75,800,000.

(ii) The Group obtained a financial support from the shareholder of the Company for not demand repayment of approximately RMB36,744,000 of loans from a shareholder as at 31 December 2023 for a period of at least 12 months from the date of approval of the financial statements.

(iii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim of attaining profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from the date of consolidated financial statements. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

## 2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Accounting Standards")

### 2.1 New and amendments to IFRSs Accounting Standards that are mandatorily effective for the Year

In the Year, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and related amendments |
| Amendment to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendment to IAS 8 | Definition of Accounting Estimates |
| Amendment to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendment to IAS 12 | International Tax Reform – Pillar Two Model Rules |

Except for described as below, the application of the new and amendments to IFRS Accounting Standards and the committee's agenda decision in the Year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRS Accounting Standards, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

### 2.2 Amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to IFRS Accounting Standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022)[2] |
| Amendments to IFRS 16 | Lease Liabilities in a Sales and Leaseback[2] |
| Amendment to IAS 1 | Non-current Liabilities with Covenants[2] |
| Amendment to IAS 7 and IFRS 7 | Supplier Finance Agreement[2] |
| Amendment to IAS 21 | Lack of Exchangeability[3] |

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future

## 3 SEGMENT INFORMATION

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

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

The main operations of the Group are the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing in the PRC and sales of energy storage battery in the PRC.

The following is an analysis of the Group's revenue and results by segment:

**Segment revenue and results**

***For the year ended 31 December 2023***

| | **Menswear Apparel** *RMB'000* | **Industrial Products** *RMB'000* | **Energy Storage Battery** *RMB'000* | **Unallocated** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|---|---|
| Revenue | **122,506** | **517,037** | **5,541** | **–** | **645,084** |
| Segment result before the following items | **4,613** | **107,869** | **(31,635)** | **–** | **80,847** |
| Allowance for ECL, net recognised in profit or loss | **(11,803)** | **8,883** | **–** | **–** | **(2,920)** |
| Depreciation and amortisation | **(24,240)** | **–** | **(11,646)** | **–** | **(35,886)** |
| Segment result | **(31,430)** | **116,752** | **(43,281)** | **–** | **42,041** |
| Other revenue and unallocated gains | | | | **1,468** | **1,468** |
| Corporate and other unallocated gains | | | | **(28,637)** | **(28,637)** |
| Profit before taxation | | | | | **14,872** |
| Tax expenses | **(97)** | **(19,268)** | **–** | **–** | **(19,365)** |
| | | | | | **(4,493)** |

*For the year ended 31 December 2022*

| | Menswear Apparel *RMB'000* | Industrial Products *RMB'000* | Energy Storage Battery *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|
| Revenue | 102,635 | 500,878 | 398 | – | 603,911 |
| Segment result before the following items | (19,615) | 41,215 | (13,847) | – | 7,753 |
| Impairment of intangible assets recognised in profit or loss | (6,911) | – | – | – | (6,911) |
| Allowance for ECL, net recognised in profit or loss | (100,503) | (13,054) | – | – | (113,557) |
| Depreciation and amortisation | (20,832) | – | (5,521) | – | (26,353) |
| Segment result | (147,861) | 28,161 | (19,368) | – | (139,068) |
| Other revenue and unallocated gains | | | | 1,496 | 1,496 |
| Corporate and other unallocated gains | | | | 29,533 | 29,533 |
| Loss before taxation | | | | | (108,039) |
| Tax credit/(expenses) | 24,046 | (4,650) | – | – | 19,396 |
| | | | | | (88,643) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, investment income and finance costs.

**Segment assets and liabilities**

***For the year ended 31 December 2023***

| | **Menswear Apparel** ***RMB'000*** | **Industrial Products** ***RMB'000*** | **Energy Storage Battery** ***RMB'000*** | **Unallocated** ***RMB'000*** | **Consolidated** ***RMB'000*** |
|---|---|---|---|---|---|
| Segment assets | **813,961** | **631,959** | **255,590** | **23,986** | **1,725,496** |
| Segment liabilities | **464,094** | **423,690** | **20,293** | **130,999** | **1,039,076** |

*For the year ended 31 December 2022*

| | Menswear Apparel *RMB'000* | Industrial Products *RMB'000* | Energy Storage Battery *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|
| Segment assets | 817,297 | 357,099 | 123,782 | 35,474 | 1,333,652 |
| Segment liabilities | 471,265 | 249,740 | 24,702 | 152,589 | 898,296 |

**Amounts included in measure of segment profit or loss and segment assets**

***For the year ended 31 December 2023***

| | **Menswear Apparel** *RMB'000* | **Industrial Products** *RMB'000* | **Energy Storage Battery** *RMB'000* | **Unallocated** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|---|---|
| Addition to non-current assets | **4,030** | **–** | **9,164** | **–** | **13,194** |
| Depreciation and amortisation | **(24,240)** | **–** | **(11,646)** | **(1,305)** | **(37,191)** |
| Loss on disposal of property, plant and equipment | **(55)** | **–** | **(5)** | **–** | **(60)** |
| Allowance for ECL, net recognised in profit or loss | **(11,803)** | **8,883** | **–** | **–** | **(2,920)** |

*For the year ended 31 December 2022*

| | Menswear Apparel *RMB'000* | Industrial Products *RMB'000* | Energy Storage Battery *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|
| Addition to non-current assets | 33,144 | – | 65,435 | 1,957 | 100,536 |
| Depreciation and amortisation | (20,832) | – | (5,521) | (7,708) | (34,061) |
| Loss on disposal of property, plant and equipment | (1,751) | – | – | – | (1,751) |
| Impairment of intangible assets recognised in profit or loss | (6,911) | – | – | – | (6,911) |
| Allowance for ECL, net recognised in profit or loss | (100,503) | (13,054) | – | – | (113,557) |

**Geographical information**

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2023 and 2022:

| | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| China | **128,047** | 103,033 |
| Saudi Arabia | **517,037** | 500,878 |
| | **645,084** | 603,911 |

**Non-current assets**

The principal place of the Group's operation is in PRC. For the purpose of segment information disclosures under IFRS 8, the Group regards PRC as its country of domicile. Over 90% of the Group's non-current assets are located in the PRC.

**Information about major customers**

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

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Customer A (sale of industrial products) | **80,480** | 158,516 |
| Customer B (sale of industrial products) | **–*** | 144,157 |
| Customer C (sale of industrial products) | **237,062** | 121,344 |
| Customer D (sale of industrial products) | **172,995** | 62,712 |

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

## 4 REVENUE

Revenue by product type is as follows:

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Sales of industrial products | **517,037** | 500,878 |
| Sales of menswear apparel | **109,365** | 91,976 |
| Menswear apparel brand licensing | **13,141** | 10,659 |
| Sales of energy storage battery | **5,541** | 398 |
| | **645,084** | 603,911 |
| **Timing of revenue recognition** | | |
| Over time | **2,830** | – |
| At a point in time | **642,254** | 603,911 |
| | **645,084** | 603,911 |

## 5 OTHER INCOME AND OTHER GAINS OR LOSSES

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Interest income | **1,129** | 1,276 |
| Rental income from investment properties less direct outgoings | **13,160** | 11,013 |
| Government grants | **78** | 58 |
| Net foreign exchange (loss)/gain | **(1,187)** | 88 |
| Net loss on disposal of property, plant and equipment | **(60)** | (1,751) |
| Sales of scrap materials | **3,407** | 2,763 |
| Others | **596** | 2,312 |
| | **17,123** | 15,759 |

Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

## 6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

| | | 2023 | 2022 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| (a) | Finance costs: | | |
| | Interest on corporate bonds | **4,264** | 5,745 |
| | Interest on convertible bonds | **11,014** | 4,300 |
| | Interest on bank borrowings | **19,411** | 20,281 |
| | Interest on lease liabilities | **229** | 291 |
| | Interest on loans from a shareholder | **942** | – |
| | | **35,860** | 30,617 |
| (b) | Staff costs (including directors' remuneration): | | |
| | Contributions to defined contribution retirement plans | **3,922** | 2,249 |
| | Salaries, wages and other benefits | **27,011** | 17,802 |
| | | **30,933** | 20,051 |
| (c) | Other items: | | |
| | Amortisation of intangible assets | **5,209** | 5,810 |
| | Depreciation of property, plant and equipment | **5,861** | 3,428 |
| | Depreciation of investment properties | **14,886** | 14,067 |
| | Amortisation of right-of-use assets | **11,235** | 10,514 |
| | Auditors' remuneration | **1,500** | 1,381 |
| | Research and developments expenses *(note i)* | **1,095** | 3,106 |
| | Cost of inventories | **495,318** | 461,181 |
| | Allowance for ECL, net | **2,920** | 113,557 |
| | Expense related to short-term leases | **593** | – |

*Note:*

(i) Research and developments expenses include staff costs working in the Group's design and product development department.

## 7 INCOME TAX (EXPENSES)/CREDIT

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| Provision for PRC enterprises income tax for the year | **109** | (52) |
| Provision for Hong Kong Profits Tax for the year | **(17,803)** | (6,905) |
| Deferred tax (expenses)/credit | **(1,671)** | 26,353 |
| | **(19,365)** | 19,396 |

## 8 LOSS PER SHARE

### (a) Basic loss per share

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss** | | |
| Loss for the year for the purposes of computation of basic loss per share | **(52,266)** | (100,012) |
| | **Number of shares** | |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue | **2,240,507** | 2,142,977 |

### (b) Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2023 and 2022 did not assume the conversion of outstanding convertible bonds of the Company since their assumed conversion would result in a decrease in loss per share.

## 9 TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | **1,088,886** | 772,960 |
| Less: Loss allowance for expected credit loss | **(413,313)** | (412,363) |
| Written-off | **(1,946)** | (3,923) |
| Trade receivables | **673,627** | 356,674 |
| Prepayments to suppliers | **156,939** | 16,101 |
| Other deposits, prepayments and receivables | **5,645** | 47,539 |
| | **836,211** | 420,314 |

**Aging analysis**

At the end of the reporting period, the aging analysis of trade receivables with net of allowance for credit losses, based on invoice date, is as follows:

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 3 months | **148,590** | 223,565 |
| More than 3 months but within 6 months | **146,731** | 5,321 |
| More than 6 months but within 1 year | **296,031** | 121,109 |
| Over 1 year | **82,275** | 6,679 |
| | **673,627** | 356,674 |

Trade receivables are normally due for settlement within 90–180 days from the invoice date.

## 10 TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | **420,987** | 251,439 |
| Other payables | **39,619** | 31,523 |
| Accruals | **53,178** | 54,919 |
| | **513,784** | 337,881 |

The below is an aging analysis of the trade payables at the end of the reporting period based on relevant invoice dates:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month or on demand | **29,582** | 51,527 |
| Over 1 month but within 3 months | **54,412** | 114,430 |
| Over 3 months but within 6 months | **72,718** | 71,288 |
| Over 6 months but within 1 year | **160,402** | 3,927 |
| Over 1 year | **103,873** | 10,267 |
| | **420,987** | 251,439 |

## 11 SHARE CAPITAL

| | **Number of ordinary shares of HK$0.0025** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| Authorised: | | |
| **As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023** | **4,000,000,000** | **10,000** |

| | **Number of ordinary shares of HK$0.0025** | **Amount** | **Amount** |
|---|---|---|---|
| | | *HK$'000* | *RMB'000* |
| Issued and fully paid: | | | |
| As at 1 January 2022 | 2,092,018,000 | 5,230 | 4,163 |
| Issuance of share under subscription *(note)* | 120,000,000 | 300 | 257 |
| As at 31 December 2022 and 1 January 2023 | 2,212,018,000 | 5,530 | 4,420 |
| Issuance of share under subscription *(note)* | 398,856,000 | 997 | 904 |
| Issuance of share under conversion of convertible bonds *(note 12)* | 134,515,000 | 336 | 305 |
| **As at 31 December 2023** | **2,745,389,000** | **6,863** | **5,629** |

*Note:* On 13 July 2022, the Company entered into the subscription agreement with an independent third party, as a subscriber, pursuant to which the subscriber had conditionally agreed to subscribe for 120,000,000 new shares at the subscription price of HK$0.550 per subscription share. The subscription was completed and 120,000,000 of new shares were issued and allotted on 29 July 2022.

On 22 November 2023, the Company entered into the subscription agreement with independent third parties, as the subscribers, pursuant to which the subscribers had conditionally agreed to subscribe for 398,856,000 new shares at the subscription price of HK$0.5 per subscription share. The subscription was completed and 398,856,000 of new shares were issued and allotted on 12 December 2023.

## 12 CONVERTIBLE BONDS

The Company issued approximately HK$26,205,000, 8.0% per annum convertible bonds on 30 May 2023 ("**2023 CB**"). The convertible bonds are denominated in Hong Kong dollars. The convertible bond holders are entitled to convert the convertible bonds into ordinary shares of the Company at any time from the date of issue to the maturity date on 29 May 2025 at an initial conversion price of HK$0.66 per conversion share. The Company has the callable option to redeem all or some of the convertible bonds plus accrued interest from 30 May 2023 and prior to the maturity date on 29 May 2025. If the convertible bonds have not been converted, they will be redeemed on the maturity date on 29 May 2025 at par. During the year ended 31 December 2023, partial 2023 CB with amount of approximately HK$22,780,000 was converted. The Company allotted and issued 34,515,000 shares of the Company to the subscriber on 14 December 2023.

During the year ended 31 December 2022, the Company issued HK$60,000,000, 8.0% per annum convertible bond on 21 June 2022 ("**2022 CB**"). The convertible bond is denominated in Hong Kong dollars. The convertible bond holder is entitled to convert the convertible bond into ordinary shares of the Company at any time from 21 June 2023 to the maturity date on 20 June 2024 at an initial conversion price of HK$0.6 per conversion share. The Company has the callable option to redeem all or some of the convertible bond plus accrued interest from 21 June 2022 and prior to the maturity date on 20 June 2024. If the convertible bond has not been converted, it will be redeemed on the maturity date on 20 June 2024 at par. During the year ended 31 December 2023, 2022 CB was fully converted. The Company allotted and issued 100,000,000 shares of the Company to the subscriber on 14 December 2023.

The convertible bonds contain two components, debt component and equity component. The effective interest rate of the debt component is 20.23% to 25.9%.

The movements of the debt and equity components of the convertible bonds are set out as below:

| | **Debt component** *RMB'000* | **Equity component** *RMB'000* |
|---|---|---|
| As at 1 January 2022 | – | – |
| Proceed from the issuance of convertible bond | 41,157 | 8,756 |
| Effective interest expense | 2,098 | – |
| Exchange adjustment | 3,690 | – |
| As at 31 December 2022 and 1 January 2023 | 46,945 | 8,756 |
| Proceeds from the issuance of convertible bonds | **17,620** | **6,063** |
| Effective interest expense | **5,995** | **–** |
| Conversion of convertible bonds | **(68,424)** | **(14,026)** |
| Exchange adjustment | **511** | **–** |
| **As at 31 December 2023** | **2,647** | **793** |

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing in the PRC and sales of energy storage battery in the PRC.

### Industrial Products

The Group sells automotive, motorcycle and other industrial products through its 51% indirect owned subsidiary (the "**Subsidiary**") to customers located in Saudi Arabia. Although the economy of Saudi Arabia was affected by the crude oil production cuts and decreased oil prices comparing with 2022, the non-oil revenue was strong due to the economic policy of Saudi Arabia and thus the demand of such products from customers in Saudi Arabia remained high during the Year. However, in post COVID-19 pandemic era, the suppliers in Southeast Asia engaging export business to Saudi Araba resumed normal. The competition faced by the industrial products segment was getting fierce and put pressure on the prices of the Group's industrial products in the Year, thus lowering the overall profit margin of this segment.

### Menswear Apparel

The Group is a menswear enterprise in the PRC focusing on the sales of its branded menswear apparel and brand licensing. The Group completed the transformation from labour intensive manufacturing industry to outsourcing its branded menswear apparel by leveraging its own design talent in 2021. The Group currently sources its products on OEM basis only, which is more flexible in meeting the customer demand in the current trend.

Under the current weak retail situation, distributors placed small quantity orders of different product mix, which meant that economies of scale in production could not be achieved. In addition, after experiencing the suspension of social and economic activities in all the years due to the COVID-19 pandemic, outsourcing production process can avoid the sunk cost of production, such as idle labor costs and the fringe benefits.

### Energy Storage Battery

The Company further expanded to the business of energy storage battery segment in 2022. Jiangsu HengAn Energy Technology Co., Ltd. ("**Jiangsu HengAn**"), an indirect wholly-owned subsidiary of the Company, acquired the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery (鋅溴液流電池). The Group believes that the energy storage battery market will have promising prospects for development under the support of the national policy of "carbon emission reduction". As the battery production was still under trial production stage during the Year, the revenue for the Year is insignificant.

## Fund Raising Activities

*Issue of new Shares under general mandate*

On 12 December 2023, the Group issued a total of 398,856,000 new shares of the Company (the "**Shares**") under general mandate for a total sum of approximately HK$199.4 million (approximately RMB180.7 million). The net proceeds from the subscriptions were approximately HK$199.1 million. The amounts of approximately HK$79.4 million and approximately HK$41.8 million had been utilised for future business development and general working capital, respectively. Please refer to the announcements of the Company dated 22 November 2023 and 12 December 2023 for details.

On 29 July 2022, the Group issued a total of 120,000,000 new Shares under general mandate for a total sum of HK$66 million (approximately RMB56.4 million). The net proceeds from the subscription were approximately HK$65.9 million. The amounts of approximately HK$32.0 million and approximately HK$33.9 million had been fully utilised for future business development and general working capital, respectively. Please refer to the announcements of the Company dated 13 July 2022 and 29 July 2022 for details.

*Issue of convertible bonds under general mandate*

On 30 May 2023, the Group issued 8% convertible bonds due 2025 under general mandate for a sum of approximately HK$26.2 million (approximately RMB23.7 million). The net proceeds from the subscriptions were approximately HK$25.9 million. The amounts of approximately HK$8.9 million, approximately HK$15.7 million and approximately HK$1.3 million had been fully utilised for future business development, repayment of debts and general working capital respectively. Please refer to the announcements of the Company dated 22 May 2023 and 30 May 2023 for details.

On 21 June 2022, the Group issued a 8% convertible bond due 2024 under general mandate for a sum of HK$60 million (approximately RMB51.3 million). The net proceeds from the subscription were approximately HK$58.3 million. The amounts of approximately HK$51.3 million and approximately HK$7.0 million had been fully utilised for future business development and general working capital respectively. Please refer to the announcements of the Company dated 8 June 2022 and 21 June 2022 for details.

## BUSINESS REVIEW

### A. Industrial Products Segment

The Group sells automotive, motorcycle and other industrial products to customers in Saudi Arabia with a business partner who is having 49% of the equity interest of the Subsidiary. The business partner has over 15 years of extensive experience in selling auto parts with strong network of marketing in Saudi Arabia and supply chain in the PRC. The Group believes that the automotive market in Saudi Arabia will have good prospects for development under the current plan and seized the opportunity to enter into the automotive market with a strong partnership in business.

***Automotive Market***

Pursuant to the CEIC Data, total numbers of vehicles sold in Saudi Arabia in 2020, 2021 and 2022 were approximately 453,000, 557,000 and 617,000, respectively. According to a local news media of Saudi Arabia, The Saudi Gazette, reported that total of approximately 548,000 automobiles were sold in the automotive market in Saudi Arabia for the first nine months of 2023, surpassing 2022's figures for the same period by a significant margin. It shows the strong demand for automotive and motorcycle industrial products.

Saudi Vision 2030, initially announced on 25 April 2016, is a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors. Key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of Saudi Arabia. To achieve these goals, the National Industrial Development Center (the "**NIDC**") aims to attract three to four OEMs across the vehicles value chain, with the goal of producing 300,000 vehicles annually with a 40% local content by 2030. (In 2021, there are only four assembly plants in Saudi Arabia for commercial vehicles and these have a low volume output.) The NIDC provides incentives to enable industrialization through loans, tax incentives and tariff exemptions. Vehicle body panels, wheel components, tires, seats, fuel pumps, seat belts, rear indicator light covers, headlights, bumpers and engine covers are in demand and present sustainable market opportunities for the Group in Saudi Arabia.

In December 2022, President of the PRC, Xi Jinping, visited Saudi Arabia and signed a strategic partnership agreement with Saudi Arabia's King Salman bin Abdul Aziz. They agreed to work together to deepen the automotive industry, supply chain, logistics, desalination, infrastructure, processing industry, mining, finance and other fields under the framework of the "Belt and Road Initiative" and "Saudi Vision 2030" to create an opportunity, incentive and supportive investment environment. Therefore, we believe that the demand for other industrial products will be promising in the coming years.

*Other Industrial Products Market*

Other industrial products are mainly the household hardware materials for decoration and renovation. Beneficial from the strong non-oil revenue in Saudi Arabia, people were willing to renovate their apartments and thus raised the demand from such industrial products.

*Customers*

As at 31 December 2023, the Group had three main customers for the industrial products segment. They are engaging in the businesses of wholesale and retail sale of automotive, motorcycle and other industrial products in Saudi Arabia and other Middle Eastern countries. They are mainly located in Jeddah which is the second largest city in Saudi Arabia. Jeddah has long been a seaport city and a trading hub for the region. These merits are beneficial to our customers' business.

The demand of such products from customers in Saudi Arabia remained high during the Year as the economy policy of Saudi Arabia intends to reduce the dependency on oil and non-oil industries benefit from it.

The revenue of the five largest customers during the Year accounted for approximately 97.3% of the total revenue of the industrial products segment.

*Suppliers*

The Group purchased industrial products from suppliers, mainly factories and distributors in the PRC.

In the post pandemic era, the suppliers in Southeast Asia engaging export business to Saudi Araba resumed normal. The competition faced by the industrial products segment was getting fierce and put pressure on the prices of the Group's industrial products in the Year, thus lowering the overall profit margin of this segment.

The purchase amounts of the five largest suppliers during the Year for industrial products segment accounted for approximately 87.5% of the total purchase amounts of the industrial products segment.

**B. Menswear Apparel Segment**

*Distribution Network for the Sales of Menswear Apparel*

The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors. The Group also sells its products to online distributors which then resell the products to end customers through different third-party online platforms such as Tmall.com and JD.com.

Due to the economic environment in the PRC and the end of the leases during 2022, we closed all 15 self-operated retail outlets in Quanzhou, Fujian Province and Beijing in the second half of 2022.

As at 31 December 2023, our distribution network comprised 41 distributors (2022: 52) (including one online distributor) and 21 sub-distributors (2022: 22) which operated 221 retail outlets (2022: 209), representing a net increase of 12 retail outlets. As at 31 December 2023, 87.8% (2022: 87.6%) of the retail outlets were located in department stores or shopping malls whereas 12.2% (2022: 12.4%) of the retail outlets were standalone stores.

***Marketing and Promotion***

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through the internet, e.g. www.163.com, and software value-added services to improve our brand name.

***Design and Product Development***

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. As at 31 December 2023, our product design and development team consisted of 3 (2022: 6) members. The key team members, who plan, implement, supervise and manage the design and development efforts, have over 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

***Sales Fairs***

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fair for 2023 autumn/winter collections was held in April 2023, and the sales fair for 2024 spring/summer collections was held in September 2023.

## C. Energy Storage Battery Segment

In 2022, as part of the Group's strategy to diversify its business and to enhance the long-term growth and shareholder value, the Group had acquired intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery and diversified its business into energy storage battery segment through Jiangsu HengAn. The main operations of this segment are production and sales of zinc-bromine flow battery (鋅溴液流電池). A zinc-bromine flow battery is a rechargeable battery system that uses the reaction between zinc metal and bromine to generate electric current. It is being developed for stationary power applications, ranging from domestic energy usage to grid-scale energy (電網規模能源). It enables power system operators and utility companies to store energy for later use.

***Zinc-bromine Flow Battery Research and Development Production Base***

Jiangsu HengAn set up a zinc-bromine flow battery research and development production base (the "**Production Base**") in the Jiangning Development Zone* (江寧開發區) and commenced the phase 1 development plan. After completion of the phase 1 development plan in November 2022, Jiangsu HengAn started the production trial run. The time for testing and adjusting the machines was longer than expected due to the impact of Covid-19 pandemic in late 2022 and early 2023. And as the time for testing was long, the Group needed time to purchase new equipments to compensate for the tools consumed to make the production lines perfect.

***Increase in plant production capacity***

On 13 February 2023, the Company has entered into a letter of intent (the "**LOI**") on collaboration with Nanjing Jiangning Economic and Technological Development Committee* (南京江寧經濟技術開發區管理委員會), to carry out phase 2 development plan to increase the plant production capacity of the Production Base in order to meet the demands from customers. The Group expects that the phase 2 development plan will be completed by the end of 2024. For details of the LOI, please refer to the announcement of the Company dated 13 February 2023.

To increase the plant production capacity and efficiency, the Group planned to automatise its production lines. The Group needed to re-design its production base, purchase new equipment and also upgrade the existing equipment.

During the trial run production stage, the production capacity was relatively low, therefore the revenue for the Year was insignificant.

## FINANCIAL REVIEW

## REVENUE

### Revenue by Product Type

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Change** |
| | ***RMB million*** | ***% of revenue*** | *RMB million* | *% of revenue* | **%** |
| **Industrial Products** | | | | | |
| Automotive Industrial Products | **264.7** | **41.0%** | 235.4 | 39.0% | +12.4% |
| Other Industrial Products | **252.4** | **39.1%** | 265.5 | 44.0% | –4.9% |
| **Total of Industrial Products** | **517.1** | **80.1%** | 500.9 | 83.0% | +3.2% |
| **Menswear Apparel** | | | | | |
| Menswear Apparel Products | **109.4** | **17.0%** | 92.0 | 15.2% | +18.9% |
| Brand licensing | **13.1** | **2.0%** | 10.6 | 1.8% | +23.6% |
| **Total of Menswear Apparel** | **122.5** | **19.0%** | 102.6 | 17.0% | +19.4% |
| **Energy Storage Battery** | | | | | |
| Energy Storage Battery | **5.5** | **0.9%** | 0.4 | 0.0% | +1,275% |
| **Total** | **645.1** | **100%** | 603.9 | 100% | +6.8% |

The increase in revenue was the combined effect of the increase of approximately RMB16.2 million in the revenue from the industrial products segment, the increase of approximately RMB19.9 million in the revenue from the menswear apparel segment and the increase of approximately RMB5.1 million from the energy storage battery segment.

The increase in revenue from the industrial products segment was due to the strong demand from the customers in Saudi Arabia. As mentioned in the Business Review section on page 20, it was attributed to the economy of Saudi Arabia.

The increase in revenue from the menswear apparel segment was primarily due to (i) people resuming normal life in the post-pandemic era leading to a slightly retail market recovery in the PRC and hence increased demand for apparel products; and (ii) increase in the brand licensing income.

### Revenue by Region

| Region | For the year ended 31 December 2023 RMB million | % of Revenue | 2022 RMB million | % of Revenue | Change % |
|---|---|---|---|---|---|
| **Saudi Arabia** | | | | | |
| Industrial Products | **517.1** | **80.1%** | 500.9 | 83.0% | +3.2% |
| **PRC** | | | | | |
| Menswear Apparel | **122.5** | **19.0%** | 102.6 | 17.0% | +19.4% |
| Energy Storage Battery | **5.5** | **0.9%** | 0.4 | 0.0% | +1,275% |
| **Total of PRC** | **128.0** | **19.9%** | 103.0 | 17.0% | +24.3% |
| **Total** | **645.1** | **100%** | 603.9 | 100% | +6.8% |

Saudi Arabia region was the major revenue contributor to the Group accounting for approximately 80.1% (2022: 83.0%) of the total revenue.

### Cost of Sales

| | For the year ended 31 December 2023 RMB million | % of revenue | 2022 RMB million | % of revenue | Change RMB million | Change % |
|---|---|---|---|---|---|---|
| Industrial Products | **402.1** | **62.3%** | 381.0 | 76.1% | +21.1 | +5.5% |
| Menswear Apparel | **92.5** | **14.3%** | 79.9 | 77.9% | +12.6 | +15.8% |
| Energy Storage Battery | **2.7** | **0.4%** | 0.4 | 100% | +2.3 | +575% |
| **Total** | **497.3** | **77.1%** | 461.3 | 76.4% | +36.0 | +7.8% |

Cost of sales increased by approximately 7.8% to approximately RMB497.3 million for the Year from approximately RMB461.3 million for the year ended 31 December 2022 (the "**Prior Year**").

For industrial products segment, the cost of sales was attributable to the purchases of industrial products from suppliers in the PRC. The increase in cost of sales from industrial products segment was in line with the increase in revenue from this segment.

The increase in cost of sales from menswear apparel segment was in line with the increase in revenue from this segment.

**Gross Profit**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | 2022 | **Change** | **Change** |
| | ***RMB million*** | *RMB million* | *RMB million* | *%* |
| Industrial Products | **115.0** | 119.9 | –4.9 | –4.1% |
| Menswear Apparel | **30.0** | 22.7 | +7.3 | +32.2% |
| Energy Storage Battery | **2.8** | 0.0 | +2.8 | +100% |
| **Total** | **147.8** | 142.6 | +5.2 | +3.6% |

**Gross Profit Margin**

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2023** | 2022 | **Change** |
| | ***%*** | *%* | |
| Industrial Products | **22.2%** | 23.9% | –1.7% |
| Menswear Apparel | **24.5%** | 22.1% | +2.4% |
| Energy Storage Battery | **50.9%** | 0.0% | +50.9% |
| Group | **22.9%** | 23.6% | –0.7% |

The decrease in profit margin in industrial products segment was caused by lower selling prices incurred in the Year due to more supplies in the market when the impact of COVID-19 reduced. The increase in profit margin in the menswear apparel segment was due to the lower cost of sales because of the stable workforce and supplies of raw materials in post pandemic environment.

**Profit/(loss) for the Year**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | 2022 | **Change** | **Change** |
| | ***RMB million*** | *RMB million* | *RMB million* | *%* |
| Industrial Products | **97.5** | 23.5 | +74.0 | +314.9% |
| Menswear Apparel | **(31.5)** | (123.8) | +92.3 | +74.6% |
| Energy Storage Battery | **(43.3)** | (19.3) | –24.0 | –124.4% |
| Unallocated | **(27.2)** | 31.0 | –58.2 | –187.7% |
| **Total** | **(4.5)** | (88.6) | +84.1 | +94.9% |

The Group recorded continuous loss for the Year despite the net profit contribution of approximately RMB97.5 million from the industrial products segment. Loss for the Year from the energy storage battery segment, which was under trial run production stage, was approximately RMB43.3 million (2022: RMB19.3 million).

The management of the Group concluded there was impairment indication and conducted a review of the recoverable amounts of certain intangible assets and trade receivables of the Group. Based on the result of the assessment, management of the Group determined that the recoverable amounts of trade receivables (2022: trade receivables and certain intangible assets) were lower than their carrying amounts. A net allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB2.9 million (2022: a net allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB113.6 million and an impairment loss on certain intangible assets approximately RMB6.9 million) had been recognised.

Reduction of loss for the Year was mainly due to the decrease in impairment loss of intangible assets of approximately RMB6.9 million and decrease in impairment losses under expected credit losses model of approximately RMB110.6 million.

### Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses increased by approximately RMB1.3 million to approximately RMB17.1 million from approximately RMB15.8 million for the Prior Year. The net increase was mainly due to an increase in rental income of approximately RMB2.1 million, an increase in sale of scrap materials of approximately RMB0.6 million and a decrease in net loss on disposal of property, plant and equipment of approximately RMB1.7 million, partially offset by an increase in net foreign exchange loss of approximately RMB1.1 million.

### Selling and Distribution Expenses

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Change** | **Change** |
| | ***RMB million*** | ***% of revenue*** | *RMB million* | *% of revenue* | *RMB million* | *%* |
| Industrial Products | **7.0** | **1.3%** | 23.5 | 4.7% | –16.5 | –70.2% |
| Menswear Apparel | **10.7** | **8.8%** | 16.6 | 16.2% | –5.9 | –35.5% |
| Energy Storage Battery | **3.9** | **70.4%** | 0.9 | 225.0% | +3.0 | +333.3% |
| **Total** | **21.6** | **3.4%** | 41.0 | 6.8% | –19.4 | –47.3% |

For the industrial products segment, the decrease in the selling and distribution expenses was mainly due to the decreased shipping container charges as the shipping business resumed to normal in post pandemic environment in the Year. Thus, the expenses to the revenue decreased by approximately 3.4% from 4.7% in the Prior Year to 1.3% for the Year.

For the menswear apparel segment, the decrease in selling and distribution expenses was primarily due to (i) the decrease in salesman salaries and insurance resulting from the decrease in the Group's salesman headcount coupled with a decrease in number of retail stores comparing with the Prior Year; (ii) the decrease in advertising and promotional expenses; and (iii) the decrease in store management and store decoration expenses, which was in line with the consolidation strategy on the underperforming shops.

For the energy storage battery segment, the selling and distribution expenses were approximately RMB3.9 million, accounted for approximately 70.4% of the revenue from this segment.

**Administrative and Other Operating Expenses**

| | **For the year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Change** | **Change** |
| | ***RMB million*** | ***% of revenue*** | *RMB million* | *% of revenue* | *RMB million* | *%* |
| Industrial Products | **–** | **–** | 55.1 | 11.0% | –55.1 | –100% |
| Menswear Apparel | **37.6** | **30.7%** | 41.4 | 40.4% | –3.8 | –9.2% |
| Energy Storage Battery | **41.9** | **755.8%** | 18.3 | 4,575% | +23.6 | +129.0% |
| Unallocated | **10.0** | **n/a** | (40.5) | n/a | +50.5 | +124.7% |
| **Total** | **89.5** | **13.9%** | 74.3 | 12.3% | +15.2 | +20.5% |

As the management of the industrial products segment was centralised and managed by the Company and other subsidiaries of the Group, the administrative and other operating expenses of the industrial products segment were insignificant for the Year.

For the menswear apparel segment, the decrease in the administrative and other operating expenses was mainly due to the decrease in staff salaries expenses resulting from the decrease in the menswear apparel segment's headcount of approximately RMB1.6 million, the decrease in depreciation of property, plant and equipment of approximately RMB1.0 million and the decrease in amortisation of intangible assets of approximately RMB2.5 million, and partially offset by the increase in the PRC government management fee of approximately RMB0.5 million and the increase in the electricity and water charges of approximately RMB0.5 million.

For the energy storage battery segment, the administrative and other operating expenses were mainly composed of staff salaries and insurance expenses of approximately RMB11.7 million, depreciation expenses for property, plant and equipment and amortisation expenses for intangible assets of approximately RMB5.5 million, amortisation expenses on leases of approximately RMB2.8 million, consultancy fee of approximately RMB1.4 million and research and development expenses of approximately RMB11.3 million. This segment was under trial run production stage in the Year and the expenses in relation to the trial production were classified as administrative and other operating expenses.

**Finance Costs**

For the Year, finance cost increased by approximately 17.1% year-on-year to approximately RMB35.9 million (2022: RMB30.6 million), which was mainly due to the increase in interest of the convertible bonds for the Year and two convertible bonds has been converted in late 2023.

**Income Tax**

For the Year, income tax expenses increased by approximately RMB38.8 million year-on-year from income tax credit of approximately RMB19.4 million in Prior Year to income tax expenses of approximately RMB19.4 million. The increase in income tax expenses was mainly arising from the increase in profit from the industrial products segment and partially offset by the decrease in deferred tax assets recognised for written off of trade receivables and impairment of intangible assets in the Prior Year.

**Dividends**

The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

**Liquidity and Financial Resources and Capital Structure**

As at 31 December 2023, the total cash and bank balances of the Group were approximately RMB70.3 million (2022: RMB70.4 million), comprising cash and cash equivalents of approximately RMB70.3 million (2022: cash and cash equivalents of approximately RMB50.4 million and pledged bank deposit of RMB20.0).

As at 31 December 2023, the Group had a total of interest bearing borrowings of approximately RMB456.5 million (2022: RMB508.5 million) comprising bank borrowings of approximately RMB382.0 million (2022: RMB411.1 million), corporate bonds of approximately RMB35.1 million (2022: RMB50.5 million), convertible bond of approximately RMB2.7 million (2022: RMB46.9 million) and loans from a shareholder of approximately RMB36.7 million (2022: nil). The Group's borrowings were primarily denominated in RMB and HK$ (2022: in both RMB and HK$) and bear interest at fixed rate (2022: fixed rate) ranging from 0.1% to 13.0% (2022: 0.1% to 13.0%) per annum.

The maturity profile of the borrowings as at 31 December 2023 was as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | ***RMB million*** | ***%*** | *RMB million* | *%* |
| Within 1 year or on demand | **430.1** | **94.2%** | 439.8 | 86.5% |
| Over 1 but within 2 years | **19.0** | **4.2%** | 46.9 | 9.2% |
| Over 2 but within 5 years | **7.4** | **1.6%** | 21.8 | 4.3% |
| Total | **456.5** | **100%** | 508.5 | 100% |

As at 31 December 2023, the gearing ratio was approximately 66.5% (2022: 116.8%). The decrease was mainly due to the increase in total equity. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 31 December 2023, the Group's total equity increased by approximately RMB251.0 million to approximately RMB686.4 million (2022: RMB435.4 million). The increase was mainly due to the increase of the share capital and related reserves as a result of the issue of new Shares during the Year and partially offset by the incur of loss for the Year.

**Trade Working Capital Ratios**

The Group's average inventory turnover days was 31 days for the Year, as compared to 34 days for the Prior Year. The decrease was mainly due to better management of inventory level under current operation. The Group will purchase upon receiving orders from customers so as to avoid overstocking and storage costs.

The Group's average trade receivables turnover days was 291 days for the Year, representing an increase of 117 days from 174 days for the Prior Year.

Such increase is the combined effect of the lower turnover days in menswear apparel segment (213 days) and the higher turnover days in industrial products segment (313 days). Although the Group's trade receivables of menswear apparel segment increased by approximately 25.1% year-on-year to RMB79.4 million (31 December 2022: RMB63.4 million), the average trade receivables turnover days of menswear apparel segment was 213 days for the Year, representing a decrease of 188 days from 401 days for the Prior Year. The decrease in trade receivables turnover days was mainly because the management in charge has been closely following up with the distributors for settlement arrangement and the settlement from trade receivables improved in the post-pandemic era.

For industrial products segment, although the receivable turnover days increased 186 days from 127 days in the Prior Year to 313 days in the Year, after closely following up with the customers, the settlement of trade receivables has been improved in early 2024 and it led to a reversal of expected credit losses for trade receivables as at 31 December 2023 for the industrial products segment. The management will continue to keep eyes on the settlement situation and take possible actions to improve the settlement performance.

The Group's average trade payables turnover days was 247 days for the Year, representing an increase of 124 days from 123 days for the Prior Year. The increase was mainly due to the increase in the average trade payables turnover days of industrial products segment of 150 days from 138 days for the Prior Year to 288 days for the Year, and the increase in the average trade payables turnover days of menswear apparel segment of 15 days from 49 days for the Prior Year to 64 days for the Year. For menswear apparel segment, we normally have 7 to 60 days credit period from our suppliers, while for industrial products segment, we normally have 90 days credit period from our suppliers.

The Group recorded a net debt to equity ratio of approximately 56.3% as at 31 December 2023 (31 December 2022: 100.6%).

The Group regularly and actively monitors its capital structure to ensure there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to the Shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

**Charges of Assets**

As at 31 December 2023, secured bank borrowings of RMB335.0 million (2022: RMB366.1 million) were secured by the following assets with the carrying values:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Properties | **4.4** | 12.6 |
| Investment properties | **212.6** | 219.9 |
| Land use right | **217.6** | 224.7 |
| Bank deposit | **–** | 20.0 |
| Total | **434.6** | 472.2 |

**Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies**

The Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

**Factory Restructuring**

Since 2020, the Group has started to restructure some redundant factory areas (the "**Restructuring**") in Quanzhou to change the usage of those areas into developing a one-stop home and commercial furnishing chain business platform (the "**Platform**") to increase the income streams.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as furnishing materials store, furnishing design centre and supporting facilities such as business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is still under the construction stage and is principally funded by cash generated from our operations and bank borrowings. According to the initial planned timetable, we expected that the Restructuring would be completed by early 2022. However, due to the recurring COVID-19 situation in 2022, the completion will be delayed to 2024.

**Capital Commitments and Contingencies**

As at 31 December 2023, the Group had a total capital commitment of approximately RMB197.7 million (2022: RMB203.2 million). It was primarily related to the construction in progress. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2023, the Group had no material contingent liabilities.

**Foreign Currency Exposure**

The functional currency of the Group is Renminbi and the Company's financial statements are translated into Renminbi for reporting and consolidation purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts its business transactions principally in Renminbi and US dollars, other than the Hong Kong dollar corporate bonds, the exchange rate risk at the Group's operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

**Employees, Training and Development**

The Group had a total of 196 employees as at 31 December 2023 (2022: 133). Total staff costs for the year amounted to approximately RMB30.9 million (2022: RMB20.1 million).

The Group places strong emphasis on recruiting quality personnel from universities and technical schools and provides on-going training and development opportunities to our staff members. Our training programs cover topics such as sales, customer service, quality control, sales fairs planning and pre-employment training. We also provide training on workplace ethics, fire protection and other areas relevant to the business. We believe that staff training plays an important role in recruiting and retaining talent as well as enhancing employees' loyalty.

The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission/bonuses and share options, based on factors such as market rates, responsibility, job complexity and the Group's performance.

**Use of Proceeds**

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2014 with net proceeds (the "**Net Proceeds**") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014. As at 31 December 2023, the Group had fully utilised HK$454.7 million of the Net Proceeds.

The following table sets forth a breakdown of the use of the Net Proceeds during the Year:

| **Use of Net Proceeds during the Year** | ***HK$ million*** |
|---|---|
| Brand promotion and marketing | **–** |
| Research, design and product development | **38.4** |
| Repay a portion of our bank borrowings | **–** |
| Expand distribution network and provide storefront decoration | **–** |
| Install ERP system | **25.5** |
| Working capital and other general corporate purposes | **–** |
| | **63.9** |

| **As at 31 December 2023, the accumulated use of the Net Proceeds is set out below:** | **Available for use** *HK$million* | **Utilized (as at 31 December 2023)** *HK$million* | **Unutilized (as at 31 December 2023)** *HK$million* |
|---|---|---|---|
| Brand promotion and marketing | **122.8** | **122.8** | **–** |
| Research, design and product development | **90.9** | **90.9** | **–** |
| Repay a portion of our bank borrowings | **90.9** | **90.9** | **–** |
| Expand distribution network and provide storefront decoration | **59.1** | **59.1** | **–** |
| Install ERP system | **45.5** | **45.5** | **–** |
| Working capital and other general corporate purposes | **45.5** | **45.5** | **–** |
| | **454.7** | **454.7** | **–** |

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") as the Company's code of conduct regarding Directors' securities transactions.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Upon specific enquiries, all Directors and the senior management of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the Year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

After reviewing the Company's corporate governance practices and the CG Code contained in Part 2 of the Appendix C1 to the Listing Rules, the Board is satisfied that the Company has complied with the CG Code provisions for the Year.

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing 37.5% of the Board, which fulfills the requirement of the Listing Rules. Such percentage of independent non-executive Directors on the Board can ensure their views would carry sufficient weight and enhance the independence of the Board. On the above basis, the Board considers that the current board structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

## ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE AND CONVERSIONS OF CONVERTIBLE BONDS

### Issue of Convertible Bonds under general mandate

On 22 May 2023, the Company entered into subscription agreements (the "**Subscription Agreements**") with Mr. Tao Xubin ("**Mr. Tao**") and Mr. Song Maolin ("**Mr. Song**") (the "**Subscribers**"), pursuant to which the Company has conditionally agreed to issue 8% convertible bonds in the principal amounts of HK$22,779,900 (the "**CB 1**") and HK$3,425,400 (the "**CB 2**") to Mr. Tao and Mr. Song, respectively, which may be converted into 34,515,000 and 5,190,000 new ordinary Shares (the "**Conversion Share(s)**") at the initial conversion price of HK$0.66 per Conversion Share (the "**Initial Conversion Price**"), subject to adjustments from time to time (the "**Subscriptions**"). The Initial Conversion Price represented a premium of approximately 26.92% to the closing price of the Share of HK$0.52 as quoted on the Stock Exchange on the trading day immediately prior to the date of the Subscription Agreements; and a premium of approximately 27.41% to the average closing price of the Share of HK$0.518 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements. The CB 1 and CB 2 were issued on 30 May 2023.

The net proceeds from the Subscriptions, after deduction of relevant expenses, amounted to approximately HK$25.9 million. During the Year, the above net proceeds were fully utilized as intended as to (i) approximately HK$8.9 million for future business development; (ii) approximately HK$15.7 million for repayment of debts; and (iii) approximately HK$1.3 million for general working capital.

For details of the Subscriptions, please refer to the announcements of the Company dated 22 May 2023 and 30 May 2023.

**Conversions of Convertible Bonds**

On 14 December 2023, the Company received a conversion notice from Mr. Tao exercising his right to convert the CB1 into 34,515,000 Conversion Shares at the Initial Conversion Price. As a result, the Company allotted and issued 34,515,000 Conversion Shares to Mr. Tao on 14 December 2023 (the "**Conversion 1**"). For details of the Conversion 1, please refer to the announcement of the Company dated 14 December 2023.

On 14 December 2023, the Company received a conversion notice from Asia Glory International Development Limited ("**Asia Glory**") exercising its right to convert the convertible bond in principle bond in the principal amount of HK$60 million, which was issued to Asia Glory on 21 June 2022, into 100,000,000 Conversion Shares at the initial conversion price of HK$0.60 per Conversion Share. As a result, the Company allotted and issued 100,000,000 Conversion Shares to Asia Glory on 14 December 2023 (the "**Conversion 2**"). For details of the Conversion 2, please refer to the announcement of the Company dated 14 December 2023.

## ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 22 November 2023 (after trading hours of the Stock Exchange), the Company entered into eleven subscription agreements with eleven subscribers (the "**Subscribers**"), pursuant to which the Subscribers had conditionally agreed to subscribe for 398,856,000 new Shares in aggregate at the subscription price of HK$0.50 per subscription Share. The subscriptions were completed and 398,856,000 new Shares were issued and allotted to the Subscribers on 12 December 2023. The net proceeds from the subscription amounted to approximately HK$199.1 million (approximately RMB180.4 million), which were intended for future business development, repayment of debts and general working capital. The amounts of approximately HK$79.4 million and approximately HK$41.8 million were utilised for future business development and general working capital, respectively. It is expected that the remaining proceeds will be utilised by the end of 2024. For details of the subscription, please refer to the announcements of the Company dated 22 November 2023 and 12 December 2023.

On 13 July 2022 (after trading hours of the Stock Exchange), the Company entered into the subscription agreement with True Faith Ventures Limited ("**True Faith**"), pursuant to which True Faith had conditionally agreed to subscribe for 120,000,000 new Shares at the subscription price of HK$0.550 per subscription Share. The subscription was completed and 120,000,000 of new Shares were issued and allotted to True Faith on 29 July 2022. The net proceeds from the subscription amounted to approximately HK$65.9 million (approximately RMB56.3 million), which were intended for future business development and general working capital. The amounts of approximately HK$32.0 million and approximately HK$33.9 million were fully utilised for the respective usage mentioned above. For details of the subscription, please refer to the announcements of the Company dated 13 July 2022 and 29 July 2022.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

### Grant of Share Options

On 23 January 2024, the Company granted a total of 170,000,000 share options (the "**Share Option(s)**") to 15 eligible persons of the Group (each a "**Grantee(s)**") to subscribe for an aggregate of 170,000,000 ordinary Shares of HK$0.0025 each, subject to acceptance by the Grantees, under the share option scheme adopted by the Company on 9 June 2014 (the "**Share Option Scheme**").

Among the 170,000,000 Share Options granted, 10,000,000 Share Options and 15,000,000 Share Options were granted to the executive Directors, Mr. Lu Ke and Mr. Duan Huiyuan, respectively, and a total of 145,000,000 Share Options were granted to other 13 employees of the Group, subject to their respective acceptance.

For the details of the grant of Share Options, please refer to the announcement of the Company dated 23 January 2024.

Save as otherwise disclosed in this announcement, no important events affecting the Company have occurred since 31 December 2023 and up to the date of this announcement.

## SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed with the Company's auditor, Elite Partners CPA Limited, which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2023.

## EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the Year:

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## REVIEW OF ANNUAL RESULT

The audit committee (the "**Audit Committee**") of the Company consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Mr. Ma Yu-heng. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the audited annual financial results for the year ended 31 December 2023.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report for the Year will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinaanchu2399.com in due course. This announcement can also be accessed on the above websites.

By Order of the Board
**China Anchu Energy Storage Group Limited**
**Kwok Kin Sun**
*Chairman and Executive Director*

Hong Kong, 27 March 2024

*As at the date of this announcement, the executive Directors are Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Mr. Lu Ke and Mr. Duan Huiyuan; the non-executive Director is Mr. Wang Yan; and the independent non-executive Directors are Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng.*

*Website: www.chinaanchu2399.com*