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南粵控股
NAMYUE HOLDINGS

NAMYUE HOLDINGS LIMITED

南粵控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

2024 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	For the year ended 31 December		
	2024	2023	Change
Sales volume of cowhides (in thousand square feet)	**5,343**	6,219	-14.1%
Subcontracted leather processing volume (in thousand square feet)	**18,965**	3,768	+403.3%
Revenue (in thousand HK$)	**89,099**	91,244	-2.4%
Loss for the year (in thousand HK$)	**(33,765)**	(66,449)	+49.2%
Basic loss per share (in HK cents)	**(6.28)**	(12.35)	+49.1%
Key Indicators (As at 31 December)	**2024**	2023	Change
Current Ratio	**0.67 times**	1.08 times	-38.0%
Quick Ratio	**0.35 times**	0.44 times	-20.5%
Debt to asset ratio	**80.4%**	61.0%	+31.8%
Total assets (in thousand HK$)	**97,154**	135,537	-28.3%
Net asset value per share (HK$)	**0.04**	0.10	-60.0%

FINANCIAL RESULTS

The board of directors (the "Board") of Namyue Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024 together with the comparative figures for 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2024**	2023
		HK$'000	*HK$'000*
REVENUE	*4*	**89,099**	91,244
Cost of sales		**(88,714)**	(122,100)
Gross profit/(loss)		**385**	(30,856)
Other income and losses, net	*5*	**2,029**	372
Selling and distribution expenses		**(1,383)**	(1,991)
Administrative expenses		**(24,582)**	(29,657)
Impairment on items of plant and equipment		**(4,158)**	(746)
Other operating expenses, net	*5*	**(5,888)**	(3,053)
Finance costs		**(504)**	(879)
LOSS BEFORE TAX	*6*	**(34,101)**	(66,810)
Income tax credit	*7*	**336**	361
LOSS FOR THE YEAR		**(33,765)**	(66,449)
LOSS PER SHARE	*8*		
- Basic		**HK(6.28) cents**	HK(12.35) cents
- Diluted		**HK(6.28) cents**	HK(12.35) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2024 *HK$'000*	2023 *HK$'000*
LOSS FOR THE YEAR	**(33,765)**	(66,449)
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of buildings	**978**	1,627
Income tax effect	**(245)**	(407)
	733	1,220
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(818)**	(1,873)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX	**(85)**	(653)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	**(33,850)**	(67,102)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2024**	2023
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**37,277**	40,248
Right-of-use assets		**10,274**	10,795
		47,551	51,043
CURRENT ASSETS			
Inventories		**24,048**	50,457
Receivables, prepayments and deposits	*10*	**20,839**	26,873
Pledged bank balances		**1,297**	25
Cash and bank balances		**3,419**	7,139
		49,603	84,494
CURRENT LIABILITIES			
Trade and bills payables	*11*	**36,759**	34,113
Other payables, accruals and provision	*12*	**27,061**	27,896
Interest-bearing bank borrowings		**8,639**	14,811
Due to a PRC joint venture partner		**1,131**	1,131
		73,590	77,951
NET CURRENT (LIABILITIES)/ASSETS		**(23,987)**	6,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,564**	57,586
NON-CURRENT LIABILITIES			
Other payables, accruals and provision	*12*	**-**	81
Deferred tax liabilities		**4,503**	4,594
		4,503	4,675
NET ASSETS		**19,061**	52,911
EQUITY			
Share capital		**75,032**	75,032
Reserves		**(55,971)**	(22,121)
TOTAL EQUITY		**19,061**	52,911

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings classified as property, plant and equipment and bills receivable which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The financial information relating to the years ended 31 December 2024 and 31 December 2023 included in this preliminary announcement of annual results for the year ended 31 December 2024 does not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2023, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2024 in due course.

Going Concern

The Group incurred a loss of approximately HK$33,765,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities of approximately HK$23,987,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Group had renewed the pledged bank facilities amounting to RMB35,000,000 up to April 2027 with Bank of Nanjing Co., Ltd. and had a bank borrowing amounting to RMB8,000,000 with China Everbright Bank Co., Ltd. up to July 2025 to finance daily operation;

(ii) the Directors continue to strengthen and implement a variety of measures to improve the working capital and cash flows of the Group, including closely monitoring the production costs, selling and distribution expenses, and general administrative and operating expenses; and

(iii) the Directors are actively seeking new business opportunities to achieve profitability and abundant working capital, and explore new sources of income.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company’s share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

No separate analysis of operating segment information is presented by the Group as over 90% of the Group's revenue, results and assets related to the processing and sale of semi-finished and finished leather, and subcontracted leather processing in the People's Republic of China (the "PRC" or "Mainland China") during the year.

Information about major customer

Revenue from the following customer individually contributed over 10% of the consolidated revenue of the Group is as follows:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**12,834**	12,099
Customer B	**12,756**	N/A*
Customer C	**9,631**	N/A*

* The revenue from Customer B and Customer C contributed not more than 10% of the Group's revenue in 2023, therefore the amount is not disclosed.

4. REVENUE

An analysis of revenue is as follows:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of processed leather	**51,337**	82,060
Subcontracted leather processing	**37,762**	9,184
	89,099	91,244

(i) Disaggregated revenue information

Revenue is recognised when goods are transferred at a point in time to customers. The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was HK$482,000 (2023: HK$8,000).

The Group sells/subcontracted leather to the customers. Revenue is recognised when control of the processed leather has transferred, being when the processed leather is delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the processed leather and the customer has obtained legal titles to the processed leather.

(ii) Performance obligations

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

Sale of goods/subcontracted processing

The performance obligation is satisfied upon delivery of the goods at a point in time and payment is generally due within 30 to 180 days from the date of delivery, except for new customers, where payment in advance is normally required. A receivable is recognised when the processed leather is delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. OTHER INCOME AND LOSSES, AND OTHER OPERATING EXPENSES, NET

(a) Other income and losses, net

	2024	2023
	HK$'000	*HK$'000*
Finance income	**9**	21
Sale of raw and scrap materials in Mainland China	**1,617**	809
Government grants*	**122**	8
Gains on disposal of property, plant and equipment	**805**	-
Net exchange losses	**(116)**	(451)
Others	**(408)**	(15)
	2,029	372

* During the year ended 31 December 2024, the Group received approximately HK$122,000 (2023: HK$8,000) from the PRC local government as a support to the Group's PRC operations. There are no unfulfilled conditions or contingencies relating to these grants.

(b) Other operating expenses, net

	2024	2023
	HK$'000	*HK$'000*
Impairment on right-of-use assets	**-**	(158)
Impairment of trade receivables	**(6,232)**	(3,215)
Reversal of impairment of other receivables	**283**	-
Reversal of accruals and payables	**61**	320
	(5,888)	(3,053)

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2024	2023
	HK$'000	*HK$'000*
Cost of inventories sold	**96,148**	100,586
Auditor's remuneration	**750**	730
Depreciation of property, plant and equipment	**3,267**	3,254
Depreciation of right-of-use assets	**295**	299
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**21,018**	22,583
Pension scheme contributions (defined contribution schemes)*	**4,241**	4,760
	25,259	27,343
(Reversal of provision)/provision for inventories**	**(7,434)**	21,514
Expenses related to short-term leases	**106**	108

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** This item is included in the "Cost of sales" on the face of the consolidated statement of profit or loss.

7. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2024 and 2023. Taxes on profits assessable in the PRC have been calculated at the rate of tax prevailing in the PRC in which the Group operates.

	2024	2023
	HK$'000	*HK$'000*
Current - Mainland China		
Over-provision in prior years	**-**	(21)
Deferred tax liabilities	**(336)**	(340)
Total tax credit for the year	**(336)**	(361)

8. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year and the weighted average number of ordinary shares of 538,019,000 (2023: 538,019,000) in issue during the year.

The calculation of basic loss per share is based on:

	2024	2023
	HK$'000	*HK$'000*
Loss		
Loss for the year, used in the basic loss per share calculation	**33,765**	66,449

	Number of shares	
	2024	2023
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**538,019**	538,019

No adjustment has been made to the calculation of the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 as there was no dilutive event during the years ended 31 December 2024 and 2023.

9. DIVIDEND

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

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	2024 HK$'000	2023 HK$'000
Trade receivables	*(i)*	**16,230**	21,629
Bills receivables	*(i)*	**2,973**	4,460
Prepayments, deposits and other receivables	*(ii)*	**1,472**	784
Amount due from a director	*(iii)*	**164**	-
		20,839	26,873

Notes:

(i) The Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate their fair values.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 HK$'000	2023 HK$'000
Within 3 months	**16,621**	20,777
3 to 6 months	**1,883**	374
6 to 12 months	**3,284**	5,000
1 to 2 years	**5,453**	4,225
2 to 3 years	**2,294**	-
	29,535	30,376
Impairment	**(10,332)**	(4,287)
	19,203	26,089

(ii) As at 31 December 2024, a provision of approximately HK$334,000 (2023: HK$625,000) was made for other receivables.

The carrying amounts of other receivables approximate their fair values.

(iii) The amount due is unsecured, interest-free and repayable on demand.

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 3 months	**7,573**	6,745
3 to 6 months	**6,765**	9,052
Over 6 months	**18,196**	18,316
Trade payables	**32,534**	34,113
Bills payables	**4,225**	-
	36,759	34,113

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 90 days. The carrying amounts of trade and bills payables approximate their fair values.

12. OTHER PAYABLES, ACCRUALS AND PROVISION

		2024	2023
		HK$'000	*HK$'000*
Current			
Other payables		**5,484**	4,367
Accruals		**8,876**	10,126
Deposits received		**1,889**	1,431
Other tax payables		**438**	681
Provision	(*Note)*	**9,436**	9,642
Contract liabilities		**857**	1,572
Lease liabilities		**81**	77
		27,061	27,896
Non-Current			
Lease liabilities		**-**	81

Note:

As at 31 December 2024, the balance included (i) a provision in relation to an early termination of a joint venture agreement of approximately HK$3,240,000 (2023: HK$3,310,000) and (ii) a provision for penalty of approximately HK$6,196,000 (2023: HK$6,332,000).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by HKICPA and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material Uncertainty Related to the Going Concern

We draw attention to Note 1 to this results announcement which states that the Group incurred a loss of approximately HK$33,765,000 for the year ended 31 December 2024, and as at 31 December 2024, the Group had net current liabilities of approximately HK$23,987,000. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CHAIRMAN'S STATEMENT

RESULTS

I would like to present to the shareholders that the consolidated loss attributable to shareholders of the Group for year 2024 was HK$33,765,000 (2023: HK$66,449,000), representing a decrease in loss of 49.2%. Basic loss per share was HK6.28 cents (2023: HK12.35 cents).

DIVIDEND

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

REVIEW

In 2024, China's macroeconomic situation continued to be challenging, with the slow pace of economic recovery and increasing geopolitical tensions adding to the complexity of the market environment. In the footwear leather domestic market, weakening consumer demand and a phenomenon of consumption downgrading have further contributed to the shrinking market demand for genuine footwear leather. However, despite the uncertainties in the external environment and the fierce competition within the industry, the Group has always adhered to the core ideology of being market-oriented and implementing the new development concept by driving development through innovation, proactively adjusting its business layout, flexibly responding to market changes and steadily pushing forward its various operation and management work, which has enabled the Group to maintain its competitiveness amidst the fluctuating market.

Intense competition in the tannery industry has posed certain challenges to the Group's sales and operation management. In order to cope with the predicament in the industry, the Group has repositioned and optimised its business model by actively changing the traditional sales approach and adopting a dual mode of subcontracting in addition to self-manufacturing business, so as to expand its sales channels and further enhance the Group's room for survival. In 2024, the Group had steadily advanced the development strategy of its subcontracting business transformation by focusing on attracting and stabilising subcontracting customers and improving production conditions. This not only significantly increased the production volume, but also effectively reduced energy consumption and unit costs, including expenditures on chemical materials, labour and hardware and machinery materials. The effectiveness of the transformation was significant, and the production and operating conditions improved substantially, while the cash flow also improved gradually.

In terms of environmental protection, the Group has proactively addressed the problem of the aging of tannery wastewater disposal equipment so as to ensure that environmental standards are met and production safety is maintained. In 2024, the Group has commenced cooperation with an external technology research organisation to carry out a comprehensive refurbishment of the wastewater disposal equipment and the production environment of the plant, which has significantly enhanced the wastewater treatment capacity and the overall condition of the plant environment. Meanwhile, the Group has strengthened its refined management by making performance appraisal its core focus, thereby reinforcing the management segments of human resources, finance, procurement and quality inspection, further optimising the production process and lowering the cost of consolidation, and taking a step forward on the road to enhancing economic efficiency and sustainable development.

PROSPECTS

With the changes in the geopolitical situation and the increase in trade barriers, China manufacturing industry will face greater challenges in the global supply chain. As a traditional industry, the tannery industry has suffered from overcapacity and weak demand in recent years, and the industry has continued to experience a downturn, with many tanneries having to reduce production or even withdraw from the market. However, with the advantage of a mega-sized market in Mainland China, a new round of development opportunities will come to the quality enterprises in the industry as excess capacity is gradually cleared. In 2024, the Group has initially relieved its operating pressure through its unremitting efforts, but looking forward to 2025, the Group still needs to proactively address various challenges in order to further enhance its viability.

In the future, the Group will continue to promote the transformation and upgrading of its tannery business, improve the external processing business model, optimise production conditions, enhance customer services, consolidate long-term relationships with quality customers, and continue to liaise with customers with large production volume and high reputation in the market to enhance the utilisation of production capacity. The self-manufacturing business will actively explore the Southeast Asian market, increase the export of half-finished cowhide products, and enhance revenue and gross profit. This will not only help to absorb the inventory, but also revitalise cash flow and further enhance economic efficiency. Meanwhile, the Group will focus on promoting the development of the “cowhide dog chewing gum” business and further explore the pet food market. In 2025, the Group plans to introduce subcontractors, renovate the idle plant to improve the moulding and production section of the “cowhide dog chewing gum” business, so as to achieve mass production of pet snacks, and to further expand the sources of revenue and gross profit.

In terms of management, the Group will continue to deepen reforms, strengthen cost control, implement energy-saving and consumption reduction measures, comprehensively enhance operational efficiency, make steady progress amidst a complex and volatile economic environment at a steady pace, explore various opportunities conducive to the Group's diversified development, optimise its asset allocation, and strive to realise the dual objectives of business diversification and efficiency growth by 2025, thereby bringing greater value returns to all shareholders.

Zhou Hao
Chairman and Managing Director

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's consolidated loss attributable to shareholders for the year ended 31 December 2024 was HK$33,765,000 (2023: HK$66,449,000), representing a decrease in loss of HK$32,684,000 or 49.2% from the previous year.

The net asset value of the Group as at 31 December 2024 was HK$19,061,000, representing a decrease of HK$33,850,000 and HK$28,235,000 as compared to the net asset value as at 31 December 2023 and 30 June 2024, respectively.

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

Business Review

In 2024, the domestic macro-economic recovery was slow and the problem of insufficient consumer confidence was still prominent. The overall performance of the domestic footwear leather market was weak, with intensified industry competition further compressing profit margins. The pressure on the operation of enterprises continued to increase, and the overall operation of the industry still faced great challenges. The market environment and consumer demand needed to be revived. Enterprises were required to response to market pressure by continue innovation along with improving product quality and service standard so as to meet the diversified market demand, and promote the steady development of the industry. In such circumstances, the Group actively responded to market changes by continuously implementing high-quality development plan, steadily promoting business model transformation, enhancing the development of subcontracting business as well as exploring new opportunities in the pet market. At the same time, with inventory and cost reduction as its core tasks, and strengthening the full-process management, the Group enhanced its ability to respond to market fluctuations. In May 2024, the Group successfully passed the environmental auditing protocol of The Leather Working Group (LWG) and was accredited with the Gold Rating, which marked significant progress in brand building of the Company. The certification not only further enhanced customers confidence and boosted the production volume of the subcontracting business, but also assisted the Group in benchmarking against international standards and improved its overall management standard.

During the year, the Group continued to promote inventory management through diversified channels, focusing on the strategy of inventory deleveraging by selling some of the higher cost and lower grade inventories from last year at their best price to achieve optimal inventory management. In addition, the newly established project task force in the current year further facilitated customer orders by accurately sourcing raw materials based on the order status of the downstream customers, which, combined with the benefits brought about by the growth in the subcontracting business, brought about a positive gross profit impact to the Group, resulting in the turnaround of the Group's gross profit margin from -33.8% for last year to 0.4% for current year. At the same time, effective control of administrative expenses further reduced operating costs, resulting in a significant reduction in operating loss by 49.2% compared to last year, effectively curbing the downward trend of the operating situation, enhancing the operating capacity and overall operating quality, and demonstrating a steadily improving development trend.

During the year, the Group focused on environmental protection, energy saving and consumption reduction as the overall objectives and put forward a number of optimisation plans, which included focusing on water, electricity, steam and other resources consumption, and carried out refined management and technical modifications, thereby significantly enhanced the effectiveness of energy saving. In terms of water conservation, the wastewater treatment station stopped using tap water in the wastewater treatment process as we managed to overcme the technical bottleneck of the wastewater treatment system being unable to handle highly concentrated wastewater, resulting in a daily saving of about 300 tonnes of water. In terms of electricity saving, we adopted a peak-shifting production model and reasonably arranged commuting times to avoid high-temperature periods in summer and effectively reduced the cost of electricity. In terms of steam conservation, the sewage station had significantly reduced steam usage costs by using thermal insulation measures and air energy-saving equipment to replace traditional steam heating methods. In terms of equipment modification, the rotary drums were upgraded to heavy-duty rotary drums to increase production capacity while reducing labour and electricity costs. These measures had effectively raised the energy-saving awareness and sense of responsibility of all departments and staff, and had successfully transformed energy saving and consumption reduction into real economic benefits.

During the year, the production volume of cowhides was 3,325,000 sq. ft. (2023: 4,613,000 sq. ft.), representing a decrease of 1,288,000 sq. ft. or 27.9% as compared to last year. The production volume of grey hides was 497 tons (2023: 2,414 tons), representing a decrease of 1,917 tons or 79.4% as compared to last year. The production volume of subcontracting business was 18,965,000 sq. ft. (2023: 3,768,000 sq. ft.), representing an increase of 15,197,000 sq. ft. or 403.3% as compared to last year.

During the year, the sales volume of cowhides was 5,343,000 sq. ft. (2023: 6,219,000 sq.ft.), representing a decrease of 876,000 sq. ft. or 14.1% as compared to last year. The sales volume of grey hides was 497 tons (2023: 2,414 tons), representing a decrease of 1,917 tons or 79.4% as compared to last year. The sales volume of subcontracting business was 18,965,000 sq. ft. (2023: 3,768,000 sq. ft.), representing an increase of 15,197,000 sq. ft. or 403.3% as compared to last year.

During the year, the consolidated revenue of the Group was HK$89,099,000 (2023: HK$91,244,000), representing a decrease of HK$2,145,000 or 2.4% as compared to last year, of which the sales value of cowhides amounted to HK$48,719,000 (2023: HK$69,701,000), representing a decrease of 30.1%; and that of grey hides and other products amounted to HK$2,618,000 (2023: HK$12,359,000), representing a decrease of 78.8%; and that of subcontracting business amounted to HK$37,762,000 (2023: HK$9,184,000), representing an increase of 311.2%.

Benefiting from the expansion of the subcontracting business, the Group fully applied its advantages in equipment technology and wastewater treatment for improving its production conditions and attracting subcontracting customers, achieving significant growth in production volume and subcontracting revenue. The production volume of various finished and semi-finished products of the subcontracting business increased by 403.3% as compared to last year, which effectively shared out the unit fixed manufacturing costs, brought about a positive impact on the Group's gross profit and further supported the Group's operational stability.

In view of the continuous downturn of the footwear leather market, the Group continued to strengthen its research and development and devoted itself to business refinement and product development. It also strengthened its inventory management by classifying and sorting out the long-term backlog of inventory, subdividing it into categories according to the conditions of the inventory such as leather properties and looseness. The product development was re-planned in accordance with market demand with an aim to enhance sales volume. At the same time, in order to be more competitive in the market, the Group improved product quality, adjusted finished products structures and strengthened quality control so as to enhance quality product rate and selling price.

In addition, the Group actively sought opportunities for product diversification during the year. Through in-depth market research and tapping of internal resources, the Group had preliminary assessed the possibility of the production of "semi-finished cowhide dog chewing gum" with the aim of exploring new sources of income. This functional pet chew product was made from grey hides, a by-product of the pre-tanning process, which was a relatively simple and low-cost production process with stable product quality. The existing equipment could basically meet the production requirements. The expansion of this new business would not only enhance the utilisation of resources, but would also bring new impetus to the Group's development and further strengthens the Group's competitive edge in the market.

Cost reduction and efficiency enhancement was one of the Group's core tasks during the year. To this end, a number of measures were implemented to reduce costs while enhancing overall efficiency. In terms of production management, the Group had formulated a performance appraisal programme linked to production volume, quality and energy consumption with the aim of enhancing staff motivation. Meanwhile, the Group had optimised its human resources by reorganising and consolidating work tasks and positions, and rationalising orders to centralise production so as to increase the utilisation of working hours and compress labour costs. In terms of chemical material management, the Group had conducted statistics and optimisation of chemical material varieties to reduce chemical material costs through meticulous accounting. In addition, the Group had strengthened its sourcing strategy by cooperating with large-scale chemical suppliers to reduce procurement costs through bulk purchasing and process optimisation. During the year, the Group mainly made targeted purchases of cowhides, with the priority of reducing inventory and liquidating funds, and the total amount of purchases was HK$30,898,000, representing a decrease of 59.9% as compared to the same period last year.

As at 31 December 2024, the Group's consolidated inventory amounted to HK$24,048,000 (31 December 2023: HK$50,457,000), representing a decrease of HK$26,409,000 or 52.3% as compared to that as at 31 December 2023. With destocking as its target, the Group continued to firmly digest inventory. During the year, inventory management and product development were strengthened, and aged inventory was sold with all efforts through research on craft and product rectification and integration, with a focus on resolving the problem of inventory retention. The Group has reassessed the value of inventories based on its ageing and net realizable value and made a net reversal of provision for inventories of HK$7,434,000 for 2024 (2023: provision for inventories of HK$21,514,000).

As at 31 December 2024, the Group's property, plant and equipment amounted to HK$37,277,000 (31 December 2023: HK$40,248,000), representing a decrease of HK$2,971,000 or 7.4% as compared to that as at 31 December 2023. In view of the loss on the Group's operating results during the period, the recoverable amount of plant and equipment was calculated by using value in use based on the discounted cash flow method, and an impairment loss on plant and equipment of HK$4,158,000 was made for 2024 (2023: HK$746,000).

Financial Review

Liquidity and Financial Resources

As at 31 December 2024, the Group's cash and cash equivalents amounted to HK$3,419,000 (31 December 2023: HK$7,139,000), representing a drop of HK$3,720,000 or 52.1% as compared to 31 December 2023, of which 6.3% were in Hong Kong dollars, 91.0% in Renminbi and 2.7% in United States dollars. Net cash inflow from operating activities for the year was HK$6,724,000, which was mainly attributable to the decrease in inventories. Net cash outflow from investing activities was HK$4,791,000, which was mainly attributable to the increase in pledged bank balances and payment for renovations and purchase of equipment. Net cash outflow from financing activities was HK$5,560,000, which was mainly attributable to the increase in repayment of bank borrowings.

As at 31 December 2024, the Group had interest-bearing borrowing in Renminbi of HK$8,639,000 (31 December 2023: HK$14,811,000 of which interest-bearing loan in Renminbi amounted to HK$14,346,000 and interest-bearing bank borrowings in US dollars amounted to HK$465,000), charged at fixed rate. The Group's banking facilities secured by pledged bank balances, buildings and right-of-use assets of HK$44,422,000 in total, charged at a floating rate.

As at 31 December 2024, the Group's gearing ratio of interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was 31.2% (31 December 2023: 21.9%). The annual interest rate of loan interest and discount interest during the year was approximately 1.7% to 5.5%. During the year, the Group's interest expenses amounted to HK$504,000, representing a decrease of 42.7% as compared to the corresponding period of last year, which was mainly attributable to the decrease in loan amounts.

As at 31 December 2024, the Group had banking facilities of HK$37,797,000 in total, all of which were unutilized, while as at 31 December 2023, the Group had banking facilities of HK$44,140,000 in total, of which utilized interest-bearing bank borrowings of HK$14,811,000 was under such facilities. Taking into account the existing cash resources and available credit facilities, the Group has adequate financial resources to meet its day-to-day operational requirements.

Capital Expenditure

As at 31 December 2024, the net amount of non-current assets including property, plant and equipment and right-of-use assets amounted to HK$47,551,000, representing a decrease of HK$3,492,000 over the net value of HK$51,043,000 as at 31 December 2023. The capital expenditure for the year amounted to HK$4,304,000 (2023: HK$866,000) in total, which was mainly attributable to the payment of renovations as well as acquisition of equipment to meet the production needs of the Group.

Pledge of Assets

As at 31 December 2024, the Group's bank deposits of HK$1,297,000 (31 December 2023: HK$25,000), buildings of HK$32,851,000 (31 December 2023: HK$35,522,000) and right-of-use assets of HK$10,274,000 (31 December 2023: HK$10,795,000) were pledged to a bank to secure general banking facilities.

Foreign Exchange Exposure

The assets, liabilities and transactions of the Group are basically denominated in Hong Kong dollars, United States dollars or Renminbi. The Group is exposed to foreign currency risk primarily from purchases from overseas suppliers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States dollars against Renminbi. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the year. Should the Group consider that its exposure to foreign currency risk justifies hedging, it may use forward or hedging contracts to reduce the risks.

Remuneration Policy for Employees

As at 31 December 2024, the Group had 261 staff (31 December 2023: 288). The Group's remuneration policy is based on its operating results and the employees' performance. The Group has adopted a performance-based appraisal scheme for its employees and established an operation assessment mechanism focusing on "accountability and performance". Based on the Group's operating efficiency, the incentive scheme provides bonuses to the management, key officers and outstanding employees according to different ranking and individual performance, which effectively motivates employees to make contributions. In addition, the Group offered social and medical insurance coverage and pension schemes to all employees in different areas.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its business and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of good corporate governance of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors of the Company, the Company had complied with the code provisions and, where appropriate, the applicable recommended best practices in the CG Code throughout the year ended 31 December 2024, save for the deviation from Code Provision C.2.1 as explained below:

Under the Code Provision C.2.1, there should be a clear division of responsibilities for the roles of chairman and chief executive officer and these two roles should be performed by two persons (the Company regards that the term "chief executive officer" has the same meaning as the Managing Director of the Company). Since 20 October 2023, Mr. Zhou Hao served as both Chairman and Managing Director of the Company.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited during the year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2025 annual general meeting of the Company ("2025 AGM") will be held on Wednesday, 18 June 2025. A circular containing, among other matters, further information relating to the 2025 AGM will be despatched to the shareholders of the Company as soon as practicable.

For the purpose of determining the eligibility of shareholders to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Friday, 13 June 2025 to Wednesday, 18 June 2025 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2025 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2025.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.namyueholdings.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2024 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and, together with the environmental, social and governance report, will be made available on the abovementioned websites before end of April 2024.

By Order of the Board
Zhou Hao
Chairman and Managing Director

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Zhou Hao and Mr. Liao Siyang; three Non-Executive Directors, namely, Mr. Huang Junfeng, Mr. Kuang Hu and Ms. Li Jieyu; and three Independent Non-Executive Directors, namely, Mr. Yeung Man Lee, Mr. Leung Luen Cheong and Mr. Yang Ge.