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China Treasures New Materials Group Ltd.

中寶新材集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2439)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024
AND
CHANGE IN USE OF PROCEEDS**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Treasures New Materials Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce the audited financial results of the Group for the year ended 31 December 2024 together with the comparative figures for the year ended 31 December 2023 as follows:

**CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 December 2024

		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	407,495	365,811
Cost of sales		<u>(245,457)</u>	<u>(220,357)</u>
Gross profit		162,038	145,454
Other income	4	20,277	7,345
Selling and distribution expenses		(5,405)	(5,845)
Administrative and other operating expenses		(41,820)	(40,520)
Finance costs	5	(3,287)	(4,015)
Listing expenses		<u>–</u>	<u>(2,289)</u>
Profit before tax	5	131,803	100,130
Income tax expenses	6	<u>(19,426)</u>	<u>(15,523)</u>
Profit for the year		<u>112,377</u>	<u>84,607</u>
Other comprehensive income (loss):			
<i>Item that will not be reclassified to profit or loss</i>			
Translation of the Company's financial statements into presentation currency		3,067	3,707
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation		<u>(3,212)</u>	<u>2,609</u>
Total other comprehensive (loss) income		<u>(145)</u>	<u>6,316</u>
Total comprehensive income for the year		<u>112,232</u>	<u>90,923</u>

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		111,161	83,970
Non-controlling interests		1,216	637
		<u>112,377</u>	<u>84,607</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		111,016	90,286
Non-controlling interests		1,216	637
		<u>112,232</u>	<u>90,923</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to owners of the Company			
Basic and diluted	7	<u>11.12</u>	<u>8.80</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		121,225	99,772
Right-of-use assets		1,028	11,655
Intangible assets		73	82
Deposits paid for acquisition of property, plant and equipment		–	823
Deferred tax assets		86	147
		<u>122,412</u>	<u>112,479</u>
Current assets			
Inventories		22,172	21,187
Trade and other receivables	9	123,314	108,683
Bank balances and cash		422,706	315,696
		<u>568,192</u>	<u>445,566</u>
Current liabilities			
Trade and other payables	10	54,177	44,533
Interest-bearing borrowings	11	70,724	40,158
Lease liabilities		30	3,280
Deferred income		489	489
Income tax payables		1,680	1,379
		<u>127,100</u>	<u>89,839</u>
Net current assets		<u>441,092</u>	<u>355,727</u>
Total assets less current liabilities		<u>563,504</u>	<u>468,206</u>

		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Lease liabilities		–	8,231
Interest-bearing borrowings	<i>11</i>	1,286	9,500
Deferred income		1,862	2,351
		<u>3,148</u>	<u>20,082</u>
NET ASSETS		<u>560,356</u>	<u>448,124</u>
Capital and reserves			
Share capital		8,800	8,800
Reserves		547,538	436,522
Equity attributable to owners of the Company		556,338	445,322
Non-controlling interests		4,018	2,802
TOTAL EQUITY		<u>560,356</u>	<u>448,124</u>

NOTES

1. CORPORATE INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

China Treasures New Materials Group Ltd. (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2023. The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company’s principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong and the Group’s headquarter is situated at No. 3, Jing’Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People’s Republic of China (the “**PRC**”).

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

At the date of this announcement, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standards and effective from the current year.

Adoption of new/revised IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting Standards:

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

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Amendments to IAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

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

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

2. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) development and manufacture of biodegradable plastic products; and
- 2) development and manufacture of non-biodegradable automobile plastic parts.

Segment revenue and results

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the reporting period is as follows:

	Development and manufacture of biodegradable plastic products RMB'000	Development and manufacture of non- biodegradable automobile plastic parts RMB'000	Total RMB'000
Year ended 31 December 2024			
Segment revenue	381,163	26,332	407,495
Segment cost of sales	(229,947)	(15,510)	(245,457)
Segment results	151,216	10,822	162,038
Other income			20,277
Selling and distribution expenses			(5,405)
Administrative and other operating expenses			(41,820)
Finance costs			(3,287)
Profit before tax			131,803
Income tax expenses			(19,426)
Profit for the year			112,377
<i>Other information</i>			
Research and development costs	26,196	–	26,196
Amortisation of intangible assets	9	–	9
Depreciation (Note)			
– Property, plant and equipment	2,808	3,080	5,888
– Right-of-use assets	69	–	69
Provision for loss allowances on trade receivables, net	43	25	68

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non- biodegradable automobile plastic parts <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023			
Segment revenue	346,936	18,875	365,811
Segment cost of sales	<u>(209,269)</u>	<u>(11,088)</u>	<u>(220,357)</u>
Segment results	<u>137,667</u>	<u>7,787</u>	145,454
Other income			7,345
Selling and distribution expenses			(5,845)
Administrative and other operating expenses			(40,520)
Finance costs			(4,015)
Listing expenses			<u>(2,289)</u>
Profit before tax			100,130
Income tax expenses			<u>(15,523)</u>
Profit for the year			<u>84,607</u>
<i>Other information</i>			
Research and development costs	17,443	–	17,443
Amortisation of intangible assets	9	–	9
Depreciation (<i>Note</i>)			
– Property, plant and equipment	1,156	967	2,123
– Right-of-use assets	69	–	69
Provision for loss allowances on trade receivables, net	<u>128</u>	<u>17</u>	<u>145</u>

Note: Unallocated depreciation of property, plant and equipment of approximately RMB5,217,000 (2023: approximately RMB4,740,000) and right-of-use assets of approximately RMB2,819,000 (2023: approximately RMB8,118,000) were not included in other information for the year ended 31 December 2024.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2024				
Assets				
Reportable segment assets	<u>142,426</u>	<u>36,032</u>	<u>512,146</u>	<u>690,604</u>
Liabilities				
Reportable segment liabilities	<u>40,471</u>	<u>1,009</u>	<u>88,768</u>	<u>130,248</u>
Other information				
Capital expenditures	<u>3,322</u>	<u>62</u>	<u>31,251</u>	<u>34,635</u>
At 31 December 2023				
Assets				
Reportable segment assets	<u>125,965</u>	<u>37,539</u>	<u>394,541</u>	<u>558,045</u>
Liabilities				
Reportable segment liabilities	<u>36,305</u>	<u>345</u>	<u>73,271</u>	<u>109,921</u>
Other information				
Capital expenditures	<u>7,996</u>	<u>25,545</u>	<u>20,127</u>	<u>53,668</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include deposits for acquisition of property, plant and equipment, inventories, trade receivables, certain property, plant and equipment, certain right-of-use assets, intangible assets and certain other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and
- segment liabilities include trade payables and certain other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the years ended 31 December 2024 and 2023 is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the reporting periods are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Development and manufacture of biodegradable plastic products		
Customer A	<u>58,924</u>	<u>42,629</u>

3. REVENUE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from contracts with customers within IFRS 15		
<i>At a point in time</i>		
Development and manufacture of biodegradable plastic products	381,163	346,936
Development and manufacture of non-biodegradable automobile plastic parts	<u>26,332</u>	<u>18,875</u>
	<u>407,495</u>	<u>365,811</u>

4. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Interest income	808	2,496
Government grants (<i>Note (i)</i>)	9,803	2,889
Gain on early termination of leases (<i>Note (ii)</i>)	1,751	1,867
Net exchange gain	–	93
Extra refund of lease payment (<i>Note (iii)</i>)	7,900	–
Others	15	–
	<u>20,277</u>	<u>7,345</u>

Notes:

- (i) Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred and investments made by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group also received government grants in respect of its investments in the PRC. During the year ended 31 December 2024, amortisation of assets related grants was approximately RMB489,000 (2023: approximately RMB489,000).

There are no unfulfilled conditions or contingencies relating to these grants.

- (ii) During the year ended 31 December 2024, the Group has entered into three lease termination agreements with respective lessor, leading to the termination of three lease arrangements for leased properties/factories. Accordingly, the Group derecognised right-of-use assets with net book value of approximately RMB7,739,000 and the related lease liabilities with carrying amount of approximately RMB9,490,000, resulting in a total gain on early termination of lease of approximately RMB1,751,000.

During the year ended 31 December 2023, the Group has entered into a lease termination agreement with a lessor, pursuant to which, a lease arrangement in respect of a factory (the “**2023 Terminated Lease**”) was terminated and a lease payment of RMB1,000,000 previously prepaid would be returned to the Group (the “**2023 Lease Termination**”). Accordingly, the Group derecognised right-of-use assets of approximately RMB17,869,000 and lease liabilities of approximately RMB18,736,000 and recognised other receivables of approximately RMB1,000,000 which resulted in a gain on early termination of lease of approximately RMB1,867,000.

- (iii) Since the properties related to the 2023 Terminated Lease was unable to fulfil the environmental and fire safety requirements, the Group received an additional refund of lease payment of RMB7,900,000 according to a supplemental termination agreement entered with the lessor in July 2024 in respect of the 2023 Terminated Lease which had been terminated in 2023 as mentioned in Note 4(ii) above. Since the effect of the 2023 Lease Termination was accounted for in prior year, the additional refund was directly credited to other income in current year.

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Finance costs		
Interest on bank loans	2,936	3,165
Interest on lease liabilities	351	850
	<u>3,287</u>	<u>4,015</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	11,583	11,372
Contributions to defined contribution plans	2,845	1,726
	<u>14,428</u>	<u>13,098</u>
Other items		
Cost of inventories (<i>Note i</i>)	229,946	217,534
Auditor's remuneration	2,007	1,982
Amortisation of intangible assets (charged to "administrative and other operating expenses")	9	9
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	11,105	6,863
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	2,888	8,187
Loss on disposal of property, plant and equipment, net	352	369
Research and development expenses (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) (<i>Note ii</i>)	26,196	17,443
Expenses recognised under short-term leases	559	91
Provision for loss allowance of trade receivables, net	68	145

Notes:

- (i) Cost of inventories included the following items which were included in the respective amounts as disclosed above.

	2024 RMB'000	2023 <i>RMB'000</i>
Staff costs	8,134	7,361
Depreciation on:		
– Property, plant and equipment	8,385	5,270
– Right-of-use assets	1,121	2,389
	17,640	15,020

- (ii) Research and development expenses included the following items which were also included in the respective amounts as disclosed above.

	2024 RMB'000	2023 <i>RMB'000</i>
Staff costs	1,165	1,162
Depreciation on property, plant and equipment	370	390
	1,535	1,552

6. TAXATION

	2024 RMB'000	2023 <i>RMB'000</i>
Current tax		
PRC enterprise income tax (“ PRC EIT ”)	19,365	15,242
Deferred tax		
Changes in temporary differences	61	281
Total income tax expenses for the year	19,426	15,523

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2024 and 2023.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Province Kaishun New Material Co., Ltd* (吉林開順新材料有限公司) (“**Jilin Kaishun**”) which was recognised as High and New Technology Enterprise and is entitled to a preferential tax rate of 15% during the years ended 31 December 2024 and 2023. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in November 2024 for the three years ending 31 December 2026.

* *English name for identification purpose only.*

7. EARNINGS PER SHARE

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	<u>111,161</u>	<u>83,970</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>953,671</u>

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year. For the year ended 31 December 2023, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share was on the basis as if the Capitalisation Issue had been effective on 1 January 2023.

There were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023, and therefore, diluted earnings per share is the same as the basic earnings per share.

8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2024 (2023: Nil).

9. TRADE AND OTHER RECEIVABLES

	Note	2024 RMB'000	2023 RMB'000
Trade receivables			
From third parties		114,981	101,546
Less: Loss allowances		(576)	(508)
	9(a)	<u>114,405</u>	<u>101,038</u>
Other receivables			
Prepayments	9(b)	6,440	2,473
Other deposits and receivables	9(c)	2,073	1,871
Value-added tax and other tax recoverable		<u>396</u>	<u>3,301</u>
		<u>8,909</u>	<u>7,645</u>
		<u>123,314</u>	<u>108,683</u>

9(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Within 30 days	43,776	34,946
31 to 60 days	37,771	34,903
61 to 90 days	30,280	31,189
Over 90 days	<u>2,578</u>	<u>–</u>
	<u>114,405</u>	<u>101,038</u>

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	2024 RMB'000	2023 RMB'000
Not yet due	111,827	101,038
Within 30 days	1,283	–
31 to 60 days	1,295	–
	<u>114,405</u>	<u>101,038</u>

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

9(b) The amount at 31 December 2024 mainly represents prepaid consultancy fee (2023: *prepayment for purchase of raw materials*).

9(c) The amount at 31 December 2024 mainly represents consideration receivables from disposal of property, plant and equipment of approximately RMB1,117,000 which was fully settled in January 2025 (2023: *lease payment of RMB1,000,000 to be returned to the Group by the lessor upon early termination of a lease. It was subsequently settled in March 2024*).

10. TRADE AND OTHER PAYABLES

	Note	2024 RMB'000	2023 RMB'000
Trade payables			
To third parties	10(a)	<u>41,480</u>	<u>36,650</u>
Other payables			
Salary payables		1,380	1,426
Value-added tax and other tax payables		1,313	35
Amount due to a director	10(b)	1,617	353
Accruals and other payables	10(c)	<u>8,387</u>	<u>6,069</u>
		<u>12,697</u>	<u>7,883</u>
		<u>54,177</u>	<u>44,533</u>

10(a) Trade payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 30 days	26,095	17,601
31 to 60 days	15,227	19,049
61 to 90 days	158	—
	<u>41,480</u>	<u>36,650</u>

10(b) Amount due to a director

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

10(c) Accruals and other payables

The amount at 31 December 2024 included provision for legal and professional fee of approximately RMB1,574,000 (2023: *approximately RMB2,027,000*), accrued interest expenses of approximately RMB1,334,000 (2023: *approximately RMB746,000*) and payable for purchase of property, plant and equipment of approximately RMB1,664,000 (2023: *approximately RMB23,000*).

11. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the interest-bearing borrowings were as follows:

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Secured borrowings	<i>(a), (c)</i>		
– Entrusted loan		–	16,000
– Other loan		<u>57,250</u>	<u>29,000</u>
		<u>57,250</u>	<u>45,000</u>
Unsecured borrowings	<i>(b)</i>		
– Other loan		<u>14,760</u>	<u>4,658</u>
		<u>72,010</u>	<u>49,658</u>
Current portion		<u>70,724</u>	<u>40,158</u>
Non-current portion		<u>1,286</u>	<u>9,500</u>
		<u>72,010</u>	<u>49,658</u>

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
RMB	<u>67,250</u>	<u>45,000</u>
HK\$	<u>4,760</u>	<u>4,658</u>
	<u>72,010</u>	<u>49,658</u>

Notes:

11(a) At 31 December 2024, the secured borrowings carry weighted average effective interest rate of approximately 4.41% (2023: approximately 6.39%) per annum.

11(b) The unsecured borrowings as at 31 December 2024 carry effective interest rate of 10.90% (2023: 12%) per annum.

11(c) The secured borrowings are secured by:

- (i) patents held by Jilin Kaishun with net carrying amount of approximately RMB73,000 and RMB82,000 at 31 December 2024 and 2023, respectively;
- (ii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB768,000 and RMB792,000 at 31 December 2024 and 2023, respectively;
- (iii) buildings of the Group with aggregate net carrying amounts of approximately RMB19,035,000 and RMB22,561,000 at 31 December 2024 and 2023, respectively;
- (iv) personnel guarantee provided by Mr. Shan Yuzhu, an executive director of the Company against a loan with carrying amount of approximately RMB3,000,000 (2023: Nil); and
- (v) properties held by Mr. Shan Yuzhu against a loan with carrying amount of approximately RMB15,990,000 (2023: Nil).

In addition, the secured borrowings are guaranteed by a non-wholly owned subsidiary, 儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd.*, 長春廣科科技有限公司 Changchun Guangke Technology Co., Ltd* and the Company.

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2024 and 2023, none of the covenants relating to drawn down facilities had been breached.

* English name for identification purpose only.

12. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2024, further information of the related party transactions is set out below.

(a) Balance with related parties:

At 31 December 2024, there was no significant balance with related parties except for the amount due to a director with carrying amount of approximately RMB1,617,000 (2023: *approximately RMB353,000*) as further detailed in Note 10(b).

(b) Remuneration for key management personnel (namely the Company's directors) of the Group:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, discretionary bonus, allowances and other benefits in kind	1,791	1,484
Contributions to defined contribution plans	269	262
	<u>2,060</u>	<u>1,746</u>

13. COMMITMENTS

(a) Capital expenditure commitments

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Contracted but not provided net of deposits paid for acquisition of		
– leasehold land (<i>Note</i>)	9,976	–
– property, plant and equipment	–	3,503
	<u> </u>	<u> </u>

Note:

The amount represents consideration for purchase of leasehold land located in Changchun, the PRC and has been subsequently settled in January 2025.

(b) Commitments under leases

The Group as lessee

At 31 December 2024 and 2023, the Group was committed to approximately RMB962,000 and RMB110,000 for short-term leases, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was established in March 2014 primarily engaging in the development and manufacturing of non-biodegradable automobile plastic parts. In response to the PRC Government's environmental protection policies and regulations relating to restriction and prohibition of the use of non-biodegradable plastics and controlled plastic pollution (the “**Policies and Regulations**”), we, since 2015, had gradually diversified our business into the development and manufacturing of biodegradable plastic products while maintaining the operation for non-biodegradable automobile plastic parts which accounted for approximately 6.5% and approximately 5.2% of the Group's total revenue during the year ended 31 December 2024 (the “**Year**” or “**FY2024**”) and the year ended 31 December 2023 (the “**Preceding Year**” or “**FY2023**”), respectively.

We made notable achievement in strengthening our brand equity and shareholders' base by listing (the “**Listing**”) of the Company's shares (the “**Shares**”) on The Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”) on 31 March 2023 (the “**Listing Date**”). This strategic move placed us in a strong position in pursuing our mission to further expand the Group's operations in terms of productivity, innovative technologies and sustainability. We had successfully raised the net proceeds (the “**Net Proceeds**”) of approximately HK\$155.4 million, which were partly utilized during the Year to actualise our strategic imperatives with details as disclosed in this announcement.

The Group is primarily focused on the development and manufacture of biodegradable plastic products in Northeast China, with its main production base situated in Changchun, Jilin province, the PRC. To strengthen the Group's production capabilities and enhance the production lines for biodegradable plastic products in Changchun, the Group acquired land in Changchun, Jilin province, the PRC, with plans to establish a new production base in the coming years. As of the date of this announcement, the establishment of this new production base remains in the planning stage.

In FY2023, the Group established two production bases in Dongguan, Guangdong province, and Anji, Zhejiang province to address anticipated demand growth for biodegradable plastic products in Southeast China. While the Dongguan factory commenced full operations in FY2024, the Anji factory remained inactive during FY2024 due to it had not yet achieved the necessary standards for stable production.

At the end of 2024, the Group made the strategic decision to consolidate production by relocating all machinery and terminating leases for both Dongguan and Anji factories, centralizing operations at its primary base in Changchun, Jilin Province. This consolidation aligns with the following objectives:

- (i) **Cost efficiency through ownership advantages:** The Group entered into the Agreement (as defined below), in the second half of FY2024. Please refer to the section headed “Significant Investment, Material Acquisitions and Disposals” for further details of the Land Acquisition (as defined below). The Group believes that self-owned land and infrastructure can eliminate recurring lease expenses and ensure long-term cost stability, and larger-scale production in one province can enhance economies of scale.

- (ii) **Supply Chain Optimisation:** Centralizing operations in one province simplifies supplier coordination, minimizes logistics redundancies, and improves inventory management.
- (iii) **Strategic Market Realignment:** While Southeast China remains important, consolidating in Changchun positions the Group to serve growing demand in Northeast China more effectively, leveraging Changchun’s logistical connectivity.

Moving forward, the Group will prioritize its bases in Changchun as the cornerstone of its production strategy, ensuring scalability, cost competitiveness, and resilience in a dynamic market.

Our biodegradable products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. During the Year, all our biodegradable products were sold to customers in the PRC, mainly in the Northeast China, which accounted for approximately 80.4% (The Preceding Year: approximately 80.5%) of the Group’s total revenue, whilst the sales to other cities in the PRC accounted for the remaining approximately 19.6% (The Preceding Year: approximately 19.5%).

We had contributed the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely, “GB/T 38082–2019”, which was issued by The State Administration for Market Regulation of the PRC and The Standardization Administration of the PRC in October 2019. The “GB/T 38082–2019” has remained as the sole and only national standard in the PRC for biodegradable plastic shopping bags since then. In view of our expertise in the industry and the recognition earned from the PRC Government, we have possessed the competitive strength in the areas of production capabilities, technology level and quality control, which positioned us as the market leader in this policy-driven market.

During the Year, we continued to devote resources to further strengthen our production capacity and deepen our cooperation with major research organizations, including the research and development (“**R&D**”) of biodegradable plastic products through collaboration with The Changchun Institute of Applied Chemistry Chinese Academy of Science (“**CIAC**”), a third-party research institute, in which we owned the rights to the R&D results. As biodegradable material technology continues to advance, we are optimising both the performance and cost of these materials, which enhances our competitive edge in the market.

The Group also joined as members of those plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association and The Changchun Die & Mold Industry Association so as to embrace the changing market trends and bring new growth momentum to the Group’s business development.

PROSPECTS

The development of the biodegradable plastic products market in the PRC is driven by the Policies and Regulations. Since 2021, the PRC Government has gradually imposed the Policies and Regulations in different provinces. During the Year, the PRC Government further imposed the Policies and Regulations in Henan province, which shopping malls, supermarkets, pharmacies, bookstores and other places across Henan province have been prohibited the use of non-biodegradable plastics. In align with the prohibition on use of non-biodegradable plastic products in more provinces in China, the market demand on our biodegradable plastic products has been increased.

Undoubtedly, the PRC Government is committed to uphold a clean and green environment and will continue to strongly support environmental protection industries relating to development and manufacturing of environmental products. It has been clearly stated that the prohibition on the use of non-degradable plastic bags will be expanded to the various marketplaces by the end of 2025. In recent years, the PRC Government has successively issued a series of policies to support the development of biodegradable materials, such as the “Opinions on Further Strengthening the Control of Plastic Pollution (關於進一步加強塑料污染治理的意見)” and “Catalogue of Plastic Products Prohibited or Restricted From Production, Sale and Use (Draft for comments) (禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿))”, which clearly stipulate and promote the application of biodegradable materials.

In view of (i) the increase in demand of biodegradable plastic products in compliance with the Policies and Regulations; (ii) a number of favorable policies and initiatives promulgated by the PRC Government; and (iii) the fundamental change to the dining and consumption habits of the local residents in the PRC from eating out to preparing meals at home and/or ordering takeaway which, contributed to the increase of sale of perishable food and fruits, and thus, in turn, stimulated the use of biodegradable shopping bags and biodegradable produce bag rolls, we have confidence that against this backdrop, the prospects for biodegradable plastic products business are optimistic and our Group is well positioned to navigate the business opportunities and challenges ahead.

FINANCIAL REVIEW

Revenue

For FY2024, the Group’s revenue recorded an increase of approximately 11.4% to approximately RMB407.5 million, as compared with approximately RMB365.8 million recorded for FY2023. This positive performance was attributed to the continuing demand for biodegradable plastic products, the effectiveness of the Policies and Regulations, and the fundamental change to the dining and consumption habits of the local residents in the PRC from eating out to preparing meals at home and/or ordering takeaway. This led to the increase in sales of the biodegradable plastic products of the Group including biodegradable shopping bags.

Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB245.5 million, representing an increase of approximately 11.4%, as compared with approximately RMB220.4 million for the Preceding Year. This increase was primarily due to the increase in production costs and raw material costs in line with the increased sales during the Year.

Gross Profit and Gross Profit Margin

During the Year, as a results of increase in revenue, the Group recorded gross profit amounted to approximately RMB162.0 million, versus approximately RMB145.5 million recorded for the Preceding Year, representing an increase of approximately 11.3%. The gross profit margin for the Year held steady at approximately 39.8% year-over-year (FY2023: approximately 39.8%).

Other Income

During the Year, the Group's other income amounted to approximately RMB20.3 million, against approximately RMB7.3 million recorded for the Preceding Year, representing increase of approximately 178.1%. Such increase was mainly due to the aggregate impact of (i) the increase in government grant, which amounted to approximately RMB9.8 million for the Year, as compared with approximately RMB2.9 million for FY2023. The government grants included various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred and investments made by the Group. The increase in government grants was mainly due to a subsidy granted to the Group following the successful listing on the Stock Exchange of the Company; (ii) an additional refund of lease payment received in the Year, following an agreement with the lessor in respect of the early terminated lease of Huizhou factory, which amounted to RMB7.9 million; and (iii) the decrease in interest income, which amounted to approximately RMB0.8 million for the Year, as compared with approximately RMB2.5 million for FY2023.

Selling and Distribution Expenses

The Group's selling and distribution expenses for FY2024 amounted to approximately RMB5.4 million, representing a decrease of approximately 6.9%, as compared with approximately RMB5.8 million recorded for FY2023, such decrease was mainly due to the decrease in marketing consultation fee from approximately RMB0.8 million for the Preceding Year to nil for FY2024, which was one-off in nature.

Administrative and Other Operating Expenses

During the Year, the Group's administrative and other operating expenses increased to approximately RMB41.8 million from approximately RMB40.5 million recorded for the Preceding Year. Such increase of approximately 3.2% was primarily attributed to the combined impacts of the following factors: (i) the increase in the R&D expenses by approximately RMB8.8 million mainly incurred for the R&D projects collaborated with CIAC; (ii) the decrease in depreciation of right-of-use assets by approximately RMB5.3 million, which were mainly derived from the early termination of the lease of Huizhou factory during the second half of 2023 and Anji factory in mid-2024; and (iii) the decrease in legal and professional fees by approximately RMB1.9 million due to cost control of the Group.

Finance Costs

During the Year, the Group's finance costs amounted to approximately RMB3.3 million, as compared with the amount of approximately RMB4.0 million for the Preceding Year, representing a decrease of approximately 17.5%. Such decrease was mainly due to (i) the decrease in interest on bank loans by approximately RMB0.2 million; and (ii) the decrease in interest on lease liabilities by approximately RMB0.5 million for the Year.

Listing Expenses

The Group did not record listing expenses during the Year, versus the amount of approximately RMB2.3 million for the Preceding Year. Such decrease was due to the completion of the Listing on 31 March 2023. These expenses were non-recurring in nature and treated as one-off expenses.

Taxation

The Group's income tax expenses increased from approximately RMB15.5 million for the Preceding Year to approximately RMB19.4 million for the Year, representing an increase of approximately 25.2%, which was mainly attributable to the increase of profit before tax as a result of the strong business performance achieved by the Group for the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately RMB112.4 million, whilst the profit for FY2023 was approximately RMB84.6 million. The increase in profit by 32.9% for the Year was mainly resulted from (i) the increase in gross profit derived from the increase in revenue; (ii) the increase in other income; and (iii) the decrease in listing expenses during the Year.

Liquidity and Financial Resources and Capital Structure

The Group exercised high level of prudence through stringent review of liquidity, risk exposure and market conditions and reacted swiftly to identify and mitigate risks.

As at 31 December 2024, the Group had maintained adequate liquidity with bank balances and cash in a total of approximately RMB422.7 million (including bank balances of approximately HK\$96.1 million (equivalent to approximately RMB89.0 million), being the unutilized net proceeds raised from the Listing), as compared with approximately RMB315.7 million as at 31 December 2023.

As at 31 December 2024, the Group had interest-bearing borrowings of approximately RMB72.0 million, against approximately RMB49.7 million as at 31 December 2023.

The Group's gearing ratio as at 31 December 2024 was approximately 12.9%, compared to approximately 13.7% as at 31 December 2023. The gearing ratio equals to total debts divided by total equity, whereby total debts include interest-bearing borrowings and lease liabilities.

During FY2024, the Group financed its operations with borrowings from banks and financial institutions and internal cash flows. The Directors considered that the Group maintained at a healthy liquidity position for its business operations with sufficient buffer for contingencies.

Treasury Policies

The Group implemented prudent treasury policies to maintain strong flexibility and capability to fund its business operations and manage unexpected contingencies. During the Year, the management performed credit assessments and evaluation of financial status of its customers to mitigate the Group's credit risk exposure while closely monitored the Group's liquidity position to ensure availability of sufficient financial resources to meet with the Group's funding requirements and commitments.

Exchange Rate Exposure

The majority of the Group's transactions, assets and liabilities were denominated in RMB. Since the exchange rate risk was not significant, the Group did not commit to any financial instruments to hedge against its foreign exchange exposure during the Year. The Directors and senior management closely monitor the foreign exchange exposure of the Group and will consider applicable financial derivatives as and when necessary.

Charge on Group Assets

As at 31 December 2024, the Group's interest-bearing borrowings and lease liabilities were secured by charges over the following assets of the Group:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	19,035	20,561
Leasehold Land	768	792
Patents	73	82
	<u>19,876</u>	<u>21,435</u>

Contingent Liabilities

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

Commitments

As at 31 December 2024, the Group had capital expenditure commitments of approximately RMB10.0 million (2023: approximately RMB3.5 million), details of which are set out in note 13 to the consolidated financial statements in this announcement.

Significant Investments, Material Acquisitions and Disposals

Acquisition of Land

During FY2024, Jilin Province Kaishun New Material Co., Ltd.* (“**Jilin Kaishun**”, 吉林省開順新材料有限公司), a subsidiary of the Company, as the transferee and Changchun City Jiutai District Natural Resources Bureau* (the “**Natural Resources Bureau**”, 長春市九台區自然資源局), as transferer entered into a construction land use rights transfer agreement* (the “**Agreement**”, 《國有建設用地使用權出讓合同》), pursuant to which the transferer agrees to transfer a land located in Changchun Changchun Jiutai Economic Development Zone* (長春市九台經濟開發區) with a total site area of 31,615 sq.m (the “**Land**”) to the transferee at a consideration of approximately RMB10.0 million. The acquisition was completed in January 2025 and the consideration was paid from internal funds. Pursuant to the Agreement, the land use right of the Land is designated for industrial use for a term of grant of 50 years (the “**Land Acquisition**”).

The Land Acquisition enables the Group to enhance its production capabilities and expand biodegradable plastic products production lines at Changchun, Jilin province, the PRC.

As none of the applicable percentage ratio(s) in respect of the Land Acquisition exceed 5%, the Land Acquisition did not constitute any a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Save for the Land Acquisition, the Group did not have any significant investments, material acquisitions and disposals during the Year.

* *English for identification purpose only.*

Final Dividend

The Directors do not recommend the payment of a final dividend for the Year (*FY 2023: Nil*).

Significant Events

Changes of Independent Non-Executive Directors and Changes in Composition of Board Committees

On 21 October 2024, Mr. Ng Tat Fung (“**Mr. Ng**”) resigned as an independent non-executive Director. Following the resignation, Mr. Ng shall be ceased to be the chairman of the audit committee of the Company (the “**Audit Committee**”). With effect from 21 October 2024, Mr. Leung Tsz Wing (“**Mr. Leung**”) has been appointed as (i) an independent non-executive Director; (ii) the chairman of the Audit Committee; and (iii) the member of the environmental, social and governance committee of the Company (the “**ESG Committee**”). Details of Mr. Ng’s resignation and Mr. Leung’s appointment are set out in the Company’s announcement dated 18 October 2024. Further, with effect from 28 October 2024, Mr. Leung has been re-designated from the member of the ESG Committee to the chairman of the ESG Committee. Details of Mr. Leung’s re-designation are set out in the Company’s announcement dated 25 October 2024.

On 28 October 2024, Dr. Sun Shulin (“**Dr. Sun**”) resigned as an independent non-executive Director. Following the resignation, Dr. Sun shall be ceased to be (i) the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”); (ii) the chairman of the ESG Committee; (iii) the member of the Audit Committee; and (iv) the member of the nomination committee of the Company (the “**Nomination Committee**”). With effect from 28 October 2024, Dr. Song Xiaofeng (“**Dr. Song**”) has been appointed as (i) an independent non-executive Director; (ii) the chairman of the Remuneration Committee; (iii) the member of the Audit Committee; and (iv) the member of the Nomination Committee. Details of Dr. Sun’s resignation and Dr. Song’s appointment are set out in the Company’s announcement dated 25 October 2024.

Significant Events After the Reporting Period

Save for the change in use of proceeds per paragraph headed “Change in Use of Proceeds from the Global Offering” and completion on the Land Acquisition per paragraph headed “Significant Investments, Material Acquisitions and Disposal - Acquisition of Land” in this announcement, the Group did not have any significant events after the reporting period and up to the date of this announcement.

Human Resources

As at 31 December 2024, the Group had a total of 161 employees (As at 31 December 2023: 182) serving its business in the PRC, all our employees stationed in the PRC. Total staff cost including Directors' emoluments and retirement benefit costs for FY2024 amounted to approximately RMB14.4 million, against approximately RMB13.1 million as recorded in the Preceding Year.

The Group remunerated its employees and Directors in line with the prevailing market practices after taking into account their experience, responsibilities and scope of works. The Group has established a share option scheme and share options will be granted to the employees and Directors in accordance with the Group's remuneration policy with reference to the performance of the respective employees and Directors under the terms and conditions of the share option scheme.

OTHER INFORMATION

FUTURE PLAN AND USE OF PROCEEDS

The Shares were listed on the Stock Exchange on 31 March 2023, the date of Listing, a total of 190,000,000 offer Shares were allotted and issued based on the final offer price of HK\$1.05 per offer Share and the Net Proceeds from the Global Offering amounted to approximately HK\$155.4 million.

During the Year, the Company had utilized such Net Proceeds in accordance with the purposes as set out in the Prospectus, 2022 and 2023 Annual Report.

As of 31 December 2024, the Company has not yet fully utilized the Net Proceeds of approximately HK\$96.1 million (the "**Unutilized Net Proceeds**").

Change in Use of Proceeds from the Global Offering

The Board, having considered the reasons set out in “Reasons for the Change in Use of Proceeds” below, resolved to change the use of the Unutilized Net Proceeds on 28 March 2025. The change in use of proceeds, the revised allocation of adjusted Net Proceeds and the amount of the Unutilized Net Proceeds are set out in the table below:

Original use of proceeds as disclosed in the Prospectus	Original allocation of adjusted Net Proceeds <i>HK\$'000</i>	Amount of utilized Net Proceeds as at 31 December 2024 <i>HK\$'000</i>	Amount of the Unutilized Net Proceeds as at 31 December 2024 <i>HK\$'000</i>	Changed use of proceeds	Revised allocation of adjusted Net Proceeds	Expected timeline for the utilizing Unutilized Net Proceeds amount
Expand biodegradable plastic products production lines at the Changchun Production Base	51,743	18,548	33,195	same	51,743	Expected to be utilized by December 2025
Establish the Huizhou Production Base in the Southeast China	51,588	–	51,588	Establish the new production base in Changchun at the Land	51,588	Expected to be utilized by December 2025
Strengthen R&D capabilities and upgrade existing R&D equipment of the Group	6,682	–	6,682	same	6,682	Expected to be utilized by December 2025
Finance R&D projects of the Group	33,253	33,253	–	same	33,253	Not applicable
Strengthen IT system of the Group	4,662	–	4,662	same	4,662	Expected to be utilized by December 2025
General working capital	7,458	7,447	11	same	7,458	As and when appropriate
	<u>155,386</u>	<u>59,248</u>	<u>96,138</u>		<u>155,386</u>	

Reasons for the Change in Use of Proceeds

The reasons for the above changes in the proposed applications of the Net Proceeds and re-allocation of the Unutilized Net Proceeds are as follows:

As disclosed in the Prospectus, the Net Proceeds were intended to be utilized for establishing new biodegradable production lines at the Changchun Production Base in 2023, with targeted completion of the entire expansion of our Changchun Production Base by the second quarter of 2024. The Company recognized that there would be a delay in the use of proceeds from the Listing. The reasons for such delay were decided after considering several factors, including the persistent economic, financial, and geopolitical complexities worldwide, the challenging business environment in the PRC during 2024, and the foreseeable unstable market conditions in 2025. Additionally, minor changes in our Southeast China expansion plan and the establishment of our Anji factory also contributed to the decision. In the fourth quarter of 2023, the Board conducted a strategic review of establishing our new biodegradable production lines at the Changchun Production Base in light of the aforementioned factors and decided to delay the plan.

This decision was made after considering that (i) the Company has an established position in Northeast China and (ii) a majority of our customers located in the Northeast are recurring customers. Therefore, the Directors considered that carrying out the Southeast China expansion plan should be prioritized in the Company's strategic formulation. Nevertheless, despite the delay, the Company has commenced trial production for the new production machines and equipment purchased during 2023 at the Changchun Production Base. Although the Company did not completed the entire expansion of our Changchun Production Base by the second quarter of 2024, the Company had and would continue the plan to expand our Changchun Production Base.

As disclosed in the Prospectus, the Net Proceeds were intended to be utilized to establish the Huizhou Production Base in Southeast China in 2023. The Company recognized there was a delay in the use of proceeds from the Listing when it decided to deliver equipment and machinery originally ordered for the Huizhou factory site to the Dongguan factory. The reasons for such delay were principally due to (i) an unexpected delay in obtaining approval from Huizhou Development and Reform Bureau (the local branch of the National Development and Reform Commission) regarding the Huizhou factory site, despite the Company having ordered the necessary machinery, carried out planning, and submitted the application for the new factory in the first half of 2023. However, the Group did not obtained all necessary approvals; (ii) during the material period, the Company became aware of an alternative and available factory site in Dongguan, which (a) is nearby to the Huizhou factory (less than 100 kilometres from the original site) and within the same province; (b) received better local government support, as evidenced by the Group's ability to obtain all necessary approvals to commence trial production before 31 December 2023; and (iii) offered lower rental payments per square metre than the Huizhou factory. Therefore, the Board conducted a strategic review of the establishment of the Huizhou Production Base in the fourth

quarter of 2023 and adjusted the expansion plan by entering into a rental agreement in Dongguan, terminating the lease agreement of the factory in Huizhou, and relocating our equipment and machinery to Dongguan to avoid material delays in our Southeast China expansion plan as stated in the Prospectus. The Company has utilized internal funds to establish factory in Dongguan without utilizing the Net Proceeds raised from Listing because the purposes were slightly different from the expansion plan set out in the Prospectus. The Southeast China factory was originally planned to be set up in Huizhou, instead of Dongguan, despite these two cities both being located within Guangdong province. Due to the aforementioned factors, the Company decided to use internal funds for the initial investment (i.e. Phase 1 operation).

While the Dongguan factory commenced full operations in FY2024, the Anji factory remained inactive during FY2024 due to not having yet achieved necessary standards for stable production. In the second half of FY2024, the Group entered into the Agreement. The Land Acquisition was completed in January 2025. Please refer to the section headed “Significant Investment, Material Acquisitions and Disposals” for further details of the Land Acquisition. At the end of 2024, the Group made the strategic decision to consolidate production by relocating all machinery and terminating leases for both the Dongguan and Anji factories, planning to establish a new production base in Changchun after the Land Acquisition and centralizing operations in Changchun, Jilin Province, after considering the following factors:

(i) Strategic Consolidation and Cost Efficiency

The Board decided to centralize production operations by establishing a new production base in Changchun, in addition to the existing Changchun Production Base, leveraging the newly acquired self-owned land and infrastructure to eliminate recurring lease expenses and ensure long-term cost stability. For instance, the aggregate annual lease expenses for Dongguan and Anji factories amounted to approximately RMB2.5 million. This shift aligns with the Group’s ownership advantage strategy, enabling larger-scale production and economies of scale. The consolidation of operations from the original plan of establishing Huizhou Production Base, the Dongguan and Anji factories into two production bases in Changchun simplifies logistics, reduces redundancies, and enhances inventory management, thereby optimizing the supply chain and improving overall operational efficiency.

(ii) Market Realignment to Serve Core Customer Base

During the Year and the Preceding Year, the Group's sales of biodegradable products to Northeast China both accounted for over 80% of the Group's revenue respectively which underscores the Northeast China region's strategic importance. Establishing a new production base in Changchun strengthens our flexibility to expand our production capacity to meet growing regional demand efficiently while capitalizing on existing customer relationships and logistical networks in the region. This new production base complements the existing Changchun Production Base to ensure proximity to recurring clients, reduce transportation costs, and position the Group to capture further market share in its core operating region.

(iii) Enhanced Control and Proven Execution Capability in Changchun

The original plan to establish the Huizhou Production Base faced significant delays due to unforeseen challenges in securing regulatory approvals, despite the Group's proactive planning and resource allocation, while the Anji factory remained inactive during FY2024 because it had not yet achieved the necessary standards for stable production. In contrast, the Group's established presence in Changchun, where it has operated its primary production base for years, ensures stronger alignment with local regulatory frameworks and streamlined processes. The newly acquired land in Changchun is situated in a region where the Group already maintains robust relationships with local stakeholders, having successfully executed its primary production base previously. This familiarity reduces administrative friction and operational risks, enabling faster infrastructure development and minimizing uncertainties and challenges associated with new geographical region. By prioritizing Changchun, the Group leverages its proven track record of execution in Northeast China, ensuring efficient utilization of proceeds to meet growth objectives.

(iv) Resource Optimization Post-2024 Strategic Review

Following a comprehensive review of the 2024 financial and operational performance, the Board concluded that redirecting resources to establish a new self-owned production base in Changchun maximizes capital efficiency. The decision reflects lessons learned from the significant delays in the original plan of establishing Huizhou Production Base or the challenges of Anji factory meeting the necessary standards for stable production. Redirecting resources from Huizhou Production Base to establish a new self-owned facility in Changchun aligns with the Group's long-term vision to expand in the biodegradable plastics market.

The Board has considered that the strategic direction of the Company is still in line with the disclosures in the Prospectus in spite of the change in use of the Unutilized Net Proceeds as stated above. The Board confirms that there is no material change in the business nature of the Company as set out in the Prospectus, and considers that the change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively and efficiently to advance the production capacity and operation efficiency of the Company, and is therefore in the best interest of our Company and the Shareholders as a whole.

Save as the changes disclosed above, there are no other proposed changes in the use of the Net Proceeds. The Unutilized Net Proceeds will be applied in a manner consistent with the above planned applications and remains subject to change based on our current and future development of market conditions and actual business needs.

As at 31 December 2024, the Unutilized Net Proceeds were deposited into licensed banks in Hong Kong and the PRC, respectively.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “**Share Option Scheme**”) on 9 March 2023 (the “**Adoption Date**”) and effective upon the Listing Date for a period of 10 years and will expire on 30 March 2033. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(B) Participants

In accordance with the terms of the Share Option Scheme, our Board may, at its absolute discretion, offer the grant of options (“**Options**”) to subscribe for such number of Shares to:

- (a) any full-time employee of any member of the Group (“**Employee**”); and
- (b) any director of any member of the Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the “Eligible Persons”).

(C) Total Number of Shares Available for Issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

At the date of this announcement, a total of 100,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum Entitlement of Each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Person, the purpose of granting options to the Eligible Person and an explanation as to how the terms of the options serve such purpose, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Shareholders and the date of the meeting or resolution of the Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

(E) Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(F) Minimum Vesting Period

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

(G) Subscription Price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business Days (as defined in the Listing Rules) immediately preceding the offer date.

For more details, please refer to section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and up to date of this announcement. As at 1 January 2024 and 31 December 2024, the total number of options available for grant under the Share Option Scheme are 100,000,000 Shares and 100,000,000 Shares, respectively.

There is no service provider sublimit under the Share Option Scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year and up to the date of this announcement, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

Since the Listing Date and up to the date of this announcement, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) as set out in Appendix C1 to the Listing Rules on the Stock Exchange during the Year. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code during the Year.

CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during the Year, which is required to be disclosed under the Listing Rules. Save for the related party transactions as disclosed in note 12 to the consolidated financial statements in this announcement, there were no other related party transactions, connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions as the Listing Date. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During FY2024 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 31 December 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

2025 AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on Friday, 27 June 2025 (the “**2025 AGM**”), the register of members of the Company will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2025 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 June 2025.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the Group's financial results for FY2024 including the accounting principles and practices adopted by the Group. There is no disagreement between the Board and the Audit Committee on the Group's financial results for FY2024.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE RESULTS ANNOUNCEMENT

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor, Forvis Mazars CPA Limited (*formerly known as Mazars CPA Limited*) (“**Forvis Mazars**”), Certified Public Accountants, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2024. The work performed by Forvis Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF THE FINANCIAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.jl-ks.cn**. The Company's annual report for FY2024 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

For and on behalf of the Board
China Treasures New Materials Group Ltd.
ZHANG Yuqiu
Chair and Executive Director

Changchun, Jilin, the PRC, 28 March 2025

As at the date of this announcement, the executive Directors are Ms. ZHANG Yuqiu, Mr. SHAN Yuzhu, Mr. LI Xiquan and Mr. LI Peng; and the independent non-executive Directors are Dr. LAI King Yin, Dr. SONG Xiaofeng and Mr. LEUNG Tsz Wing.