Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*
上海青浦消防器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8115)

ANNUAL REPORT 2024

* *For identification purposes only*

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

This report, for which the directors (the "Directors") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent Non-Executive Directors

Mr. Wang Guo Zhong
Mr. Song Zi Zhang
Ms. Zhu Yi Juan

AUDIT COMMITTEE

Mr. Song Zi Zhang
Mr. Wang Guo Zhong
Ms. Zhu Yi Juan

AUTHORISED REPRESENTATIVE

Mr. Chan Chi Wai Benny
Mr. Shi Hui Xing

COMPANY SECRETARY

Mr. Chan Chi Wai Benny

AUDITOR

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

China Construction Bank Huaxin Sub-branch

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2605, Island Place Tower
510 King's Road
North Point, Hong Kong

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

For the year ended 31 December 2024, the Group recorded total revenue of approximately RMB84,460,000 and profit attributable to owners of the Company for the year of approximately RMB4,350,000. The Group's revenue was derived principally from its manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC (excluding Hong Kong) and overseas, provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment, sales of aquarium products and property investment segment.

SALES

The Group's revenue increased by approximately RMB10,323,000 from approximately RMB74,137,000 in 2023 to approximately RMB84,460,000 in 2024.

BUSINESS REVIEW

The Group's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Group can meet the diversified needs of the customers. In addition, the Group's manufacturing of fire extinguisher products are granted with the Certificates of Type Approval by the China Classification Society, Shanghai Branch. The Group's pressure cylinders have obtained the manufacturing licence in the PRC and they meet the quality standards and requirements of the United States of America and the European Union.

In 2024, the Group reinforced its market leadership through a diversified product portfolio and robust manufacturing capabilities. Its fire extinguisher products — available in carbon dioxide, water-based, and dry powder variants — meet a broad range of customer needs and are backed by Certificates of Type Approval from the China Classification Society, Shanghai Branch, which underscore stringent quality and safety standards.

The Group's pressure cylinders are manufactured under a valid licence in the PRC and conform to the quality requirements of both the United States and the European Union. This commitment to international standards has bolstered the Group's competitiveness in domestic and export markets.

In addition to its core fire safety offerings, the Group manufactures and sells pressure vessels, provides fire technology inspection services, and installs marine fire-fighting equipment. Ancillary segments such as the sale of aquarium products and property investments have also contributed to revenue. These non-core operations are continuously reviewed to ensure they complement the Group's primary focus on fire safety solutions without compromising overall portfolio efficiency.

Overall, the Group's strong operational performance and adherence to rigorous quality standards position it as a reliable provider of comprehensive fire safety solutions in a competitive industry.

CHAIRMAN'S STATEMENT

PROSPECT

Looking ahead to 2025 and beyond, the Company remains committed to strengthening its market position and actively pursuing growth opportunities within its core business areas. Following the announcement on 8 December 2024 regarding the VSA of a fire safety training business, the Group is optimistic about the growth potential of this new venture. The completion of the VSA is subject to the fulfillment of certain conditions precedent, including satisfactory due diligence, regulatory approvals, shareholder approval, transfer of key assets, and compliance with all legal and contractual requirements. Once these conditions are met, the Company will integrate the Target Group as a wholly-owned subsidiary, allowing it to offer comprehensive fire safety training solutions, enhance its existing product and service offerings, and align with its long-term strategic objectives.

The Company remains confident in its ability to achieve sustainable growth through a combination of organic expansion, strategic acquisitions, and continuous innovation.

Despite potential macroeconomic and industry-specific challenges, the Group's strong financial position, diversified business portfolio, and prudent risk management strategies will provide resilience and support long-term value creation.

The Board of Directors remains dedicated to driving sustainable growth and maximizing shareholder value by leveraging the Group's strong market position, expanding its product and service offerings, and capitalizing on emerging opportunities within the fire safety sector. The integration of the Target Group, combined with the Group's core strengths and operational efficiencies, positions the Company well for a promising future.

The Group will continue to monitor market trends, adapt to evolving regulatory landscapes, and explore new opportunities to maintain its competitive edge. As part of its strategic review, the Group will evaluate opportunities for consolidation, restructuring, and, where necessary, the disposal of non-core or underperforming business segments to optimize resources and enhance profitability.

OUR PEOPLE

The Group will further optimize its staff structure. The Board would like to express its gratitude to the employees of the Company for their invaluable contribution to the business of the Group.

DIRECTORS

My thanks go to the directors of the Company for their professional work. The Board will endeavor to work professionally and painstakingly for achieving prosperous performance of the Group in the future.

Zhou Jin Hui
Chairman

Shanghai, the PRC
3 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB84,460,000 (year ended 31 December 2023: RMB74,137,000), representing an increase of approximately 13.9% over last year mainly because of the increase in sales of aquarium products and marine fire-fighting equipment.

GROSS PROFIT

For the year ended 31 December 2024, the Group recorded overall gross profit of approximately RMB25,068,000 (year ended 31 December 2023: RMB21,550,000). The gross profit ratio was approximately 29.7%, which is stable comparing to approximately 29.1% for the year ended 31 December 2023.

OTHER INCOME AND GAINS

Other income and gains decreased from approximately RMB4,950,000 for the year ended 31 December 2023 to approximately RMB4,279,000 for the year ended 31 December 2024 mainly due to the decrease in interest income.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2024, the Group's selling and distribution expenses increased to approximately RMB3,581,000 from RMB3,096,000, representing an increase of approximately 15.7%. This was mainly due to the increase in transportation costs and staff costs during the year 2024.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2024, the Group's administrative expenses amounted to approximately RMB14,555,000, (year ended 31 December 2023: approximately RMB11,291,000), representing an increase of 28.9% comparing to the year ended 31 December 2023. The increase in administrative expenses was mainly due to higher general administrative costs for operational purposes and increased legal and professional fees related to corporate matters of the Group.

FINANCE COSTS

Finance costs for the year ended 31 December 2024 amounted to RMB234,000 (year ended 31 December 2023: RMB368,000), representing a decrease of approximately 36.4%. The finance costs mainly consisted of interest expenses on bank borrowings. The decrease in finance costs was mainly due to the reduction of interest rate charged by the bank.

INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2023: Nil).

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax ("CIT") rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the year ended 31 December 2024 and 2023. CIT for other companies in the Group is calculated at a rate of 25% (2023: 25%) on the respective companies' estimated assessable profits for the years ended 31 December 2024 and 2023.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2024, profit for the year attributable to non-controlling interests is approximately RMB5,518,000 (year ended 31 December 2023: RMB2,956,000).

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

For the year ended 31 December 2024, the Group recorded profit for the year attributable to the owners of the Company of approximately RMB4,350,000 (year ended 31 December 2023: RMB8,521,000). The decrease was primarily attributable to the impairment of goodwill related to the Marine fire-fighting equipment cash-generating unit. This goodwill was originated from the acquisition of Shanghai An Hang in 2016 and represents the excess of the purchase price over the fair value of the acquired net assets.

NET CURRENT ASSETS

As at 31 December 2024, the Group had current assets of approximately RMB178,674,000, based on which, the current ratio was 12.9 (31 December 2023: 11.9). The increase was mainly caused by the increase in cash and cash equivalents and trade and bills receivables. The current liabilities decreased from RMB13,975,000 as at 31 December 2023 to RMB13,799,000 as at 31 December 2024 mainly attributable to the net of the decrease in trade payables and the increase in lease liabilities. Current assets as at 31 December 2024 mainly comprised of inventories of approximately RMB9,558,000 (31 December 2023: RMB8,490,000), trade and bills receivables of approximately RMB15,627,000 (31 December 2023: RMB10,231,000), prepayments, deposits and other receivables of approximately RMB4,365,000 (31 December 2023: RMB4,226,000) and cash and cash equivalents of approximately RMB148,426,000 (31 December 2023: RMB143,391,000). The inventories turnover days for the year was 63 days (31 December 2023: 61 days). Trade and bills receivables increased by 52.7% mainly due to the increase in sales of aquarium products and marine fire-fighting equipment. Current liabilities mainly comprised of trade payables of approximately RMB7,067,000 (31 December 2023: RMB7,425,000), other payables and accruals of approximately RMB4,529,000 (31 December 2023: RMB4,677,000) and lease liabilities of approximately RMB1,083,000 (31 December 2023: RMB805,000).

GEARING RATIO

The Group's gearing ratio as at 31 December 2024 was 16.4% (31 December 2023: 18.9%), which is expressed as a percentage of the total liabilities divided by the total equity. The gearing ratio was lower comparing to the year ended 31 December 2023 reflecting improved financial stability.

CHARGE ON ASSETS OF THE GROUP

As detailed in note 24 to the consolidated financial statements, the interest-bearing bank borrowings are secured by the pledge of four building properties, with carrying amount of RMB7,765,000 as at 31 December 2024 (31 December 2023: RMB8,270,000).

COMMITMENTS

Save as those detailed in note 32(d), the Group did not have significant commitments as at 31 December 2024.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the paragraph "Related Party Transactions and Balances" in this annual report, there were no significant investments held, nor were there any material acquisitions or disposal of subsidiaries and associated companies made by the Group during the year ended 31 December 2024 and up to the date of this annual report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities at 31 December 2024.

LITIGATIONS

There were no significant litigation at 31 December 2024.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had net assets of approximately RMB173,943,000 (31 December 2023: RMB163,024,000). The Group's operations are financed principally by internal sources, secured interest-bearing bank borrowings and shareholders' equity.

As at 31 December 2024, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2026 (2023: 30 May 2025). As at 31 December 2024 and 2023, none of the Facility has been drawn down.

EMPLOYEES

As at 31 December 2024, the Group had 98 employees (2023: 84 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Under relevant local government regulations, the Group is required to make contributions to a central pension scheme operated by the local municipal government for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group's relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui (周金輝), aged 54, has been an executive Director since July 2009. He is the chairman of the Company and a director of Liancheng HK, Liancheng, and Hengtai Real Estate. Mr. Zhou started management of business in 1996 when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司). He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr. Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

Mr. Shi Hui Xing (史惠星), aged 66, has been an executive Director since April 2014, appointed as the General Manager of the Company in November 2014. He is also a director and the general manager of 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*) ("Special Cylinder"). Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Zhou Guo Ping (周國平), aged 57, has been an non-executive director since June 2014 and re-designated to executive director in November 2014. He joined the Company as the deputy general manager in May 2011. He has more than 28 years of experience in factory management. He worked as the Vice General manager of ZheJiang Jiangshan Transformer Co., Ltd.* (浙江江山變壓器有限公司) before joining the Company. Mr. Zhou Guo Ping was a graduate from Wuhan Institute of Economic Management* (武漢經濟學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guo Zhong (王國忠), aged 67, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He had been the person in charge (主任) of Shanghai Keenmore Law Office* (上海市金馬律師事務所) since October 1992. Mr. Wang graduated from Shanghai Fudan University* (上海復旦大學) with a bachelor's degree in law in April 1983. He was conferred the qualification of professional lawyer by Shanghai Justice Bureau (上海市司法局) in January 1985.

Mr. Yang Chun Bao (楊春寶), aged 68, had been an independent non-executive Director since October 2000 and resigned with effect from 2 December 2024. He has more than 31 years of experience in finance and accounting. Mr. Yang was admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr. Yang was conferred a degree of Master of Science in Business Administration by Madonna University at Livonia, Michigan, the USA in December 1999.

Mr. Song Zi Zhang (宋子章), aged 78, has been an independent non-executive Director since November 2014. He has over 40 years' experience in factory management. He has been appointed as the Supervisor Committee Chairman of Shanghai Chenglong Group Co., Ltd. (上海晟隆(集團)有限公司) since 2007, after retiring from the position of General Manager in Shanghai Moshida Enterprise Development Company Limited (上海摩士達企業發展有限公司). He completed the program of Enterprise Operation and Management in Shanghai Open University and is a Senior Economist.

Ms. Zhu Yi Juan, aged 56, graduated in 1990 from the Department of Public Finance, specializing in Taxation, at Zhejiang University of Fiance (浙江財經學院財政系稅務專業) and Economics. Ms. Zhu was assigned to the finance and Taxation Bureau of Jiangshan City, Zhejing Province (浙江省江山市財稅局) and worked in areas such as financial accounting, tax audit, and tax source management, before retiring in 2023. Ms. Zhu also holds a Bachelor's degree in Law at Zhejiang Normal University (浙江師範大學), earning a Bachelor of Laws degree, and completed postgraduate studies in Economic Management at Shanghai University of Finance and Economics (上海財經大學). Additionally, Ms. Zhu also obtained the Professional Qualification Certificate in Accounting (會計師專業技術資格證書) in 1996, the National Uniform CPA Examination Certificate (註冊會計師全國統一考試全科合格證書) in 2000, and was approved as a non-practicing member of the Zhejiang Institute of Certified Public Accountants (浙江省註冊會計師協會非執業會員) in 2009.

SENIOR MANAGEMENT

Mr. Luo Jun (駱軍), aged 50, is the technical manager of the Company. He has more than 10 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr. Luo graduated from Nanchang Hangkong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

Ms. Huang Ming Zhen (黃明禎), aged 49, is the manager of quality inspection department of the Company. She has over 20 years of experience in quality control. She joined the Company in December 2004 to work in quality inspection department. Ms. Huang completed professional studies from North Jiangxi Industry School* (贛北工業學校).

Mr. Sun Qiang (孫強), aged 45, was promoted to Financial Controller of the Company in October 2015. He joint the Company in 2011 and has over 15 years of accounting and finance experience. He graduated from Shanghai Commerce and Accounting School* (上海商業會計學校) in 1998 and obtained a Diploma in Management Accounting from Shanghai LiXin Accounting Colleague* (上海立信會計學院) in 2011. He was admitted to Senior International Finance Manager of International Financial Management Associations in 2017. He also possesses a certificate of Senior Operating Manager issued jointly by the Ministry of Commerce and the Ministry of Labor People's Republic of China.

COMPANY SECRETARY

Mr. Chan Chi Wai, Benny (陳智偉), aged 54, obtained a Bachelor of Business (Accountancy) in Queensland University of Technology. He has over 20 years' experience in auditing, accounting and financial management. Prior to joining the Company, he has moved to Shanghai and worked for a domestic company preparing to be listed in the Shanghai Stock Exchange. Before moving to Shanghai, he had worked for Ernst and Young and a couple of companies which shares are listed in the Stock Exchange of Hong Kong. He has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

SUPERVISORS

In accordance with Articles 124 of the Company's Articles of Association, Supervisors shall be elected at general meetings of the Company for a term of three years. Mr. Zhao Da Rong, Mr. Qiu Ning Song and Mr. Liu Jin were the Supervisors of the Company during the year.

Mr. Qiu Ning Song (邱寧松), aged 59, is the head of fire-fighting equipments production line. He joined the Company in April 2011. Before joining the Company, he is the factory manager of JiangShang DaZhong Boiler Co., Ltd. ("江山市大眾鍋爐廠").

Mr. Zhao Da Rong (趙大榮), aged 54, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr. Zhao graduated from Shanghai Anting Teachers Training School with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management (上海卓越管理中心) in August 2008.

Mr. Liu Jin (劉金), aged 41, is the Operation Manager of LianCheng Fire-Fighting Group Company Limited ("LianCheng"). Before joining LianCheng in 2009, he was the Chief of International Procurement Department in Foxconn Technology Group. Mr. Liu was graduated from JiLin University in 2005.

COMPLIANCE OFFICER

Mr. Shi Hui Xing was the compliance officer during the year.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) and Appendix 15 of the GEM Listing Rules, the Company wishes to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in the Appendix 15 of the GEM Listing Rules during the year.

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance in respect of the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Company. The Company has applied in Appendix 15 of the GEM Listing Rules with these objectives in mind.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board comprises of six members, including three executive Directors, Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping and three independent non-executive Directors, Ms. Zhu Yi Juan, Mr. Wang Guo Zhong, Mr. Yang Chun Bao (resigned on 2 December 2024) and Mr. Song Zi Zhang. Their term of office will end upon the commencement of the 2026 annual general meeting where re-election would be conducted.

The Board conducted 7 meetings in 2024 to discuss and decide on development strategies, critical operational matters, financial affairs and other matters stipulated in the articles of association of the Company. The following table sets out the attendance of Directors' meetings in 2024 in details:

Directors		**Number of Meetings/attendance**
Executive Directors	Mr. Zhou Jin Hui	6/7
	Mr. Shi Hui Xing	7/7
	Mr. Zhou Guo Ping	7/7
Independent non-executive Directors	Mr. Wang Guo Zhong	7/7
	Mr. Yang Chun Bao (resigned on 2 December 2024)	6/7
	Mr. Song Zi Zhang	7/7
	Ms. Zhu Yi Juan (appointed on 2 December 2024 until the next annual general meeting of the Company and shall then be eligible for re-election at the next annual general meeting)	1/7

CHAIRMAN AND GENERAL MANAGER

During the year 2024, Mr. Zhou Jin Hui and Mr. Shi Hui Xing is chairman and general manager, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager (equivalent to a chief executive) is in charge of daily management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through an assessment of the Company and its subsidiaries conducted by a team of professionals on an ongoing basis, the management has determined whether the internal controls and risk management systems are able to meet the expected objectives, and has made recommendations for improving any control deficiency in the systems.

EMOLUMENTS OF DIRECTORS

In 2024, all Directors of the Company received emoluments for the year ended 31 December 2024. Details of emoluments of Directors are set out in note 8 of the consolidated financial statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. On 30 June 2023, the Company has appointed new Directors with a term until the commencement of the 2026 general meeting where re-election would be conducted.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The audit committee for the year 2024 comprises of Mr. Yang Chun Bao (resigned on 2 December 2024), Ms. Zhu Yi Juan (appointed on 2 December 2024 until the next annual general meeting of the Company and shall then be eligible for re-election at the next annual general meeting), Mr. Wang Guo Zhong and Mr. Song Zi Zhang, who are independent non-executive Directors. Mr. Yang Chun Bao possess appropriate professional qualification and financial experience.

The primary duties of the Audit Committee are mainly (i) reviewing the Group's consolidated financial statements and providing material advice in respect of the financial reporting; (ii) making recommendations to the Board on appointment, re-appointment and removal of external auditor as well as approval on their remuneration and terms of engagement; (iii) overseeing financial reporting system, risk management and internal control systems of the Company.

A total of 5 meetings have been conducted by the audit committee in 2024 for reviewing and discussion of the operating results, financial position and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2024, for the six months ended 30 June 2024 and for the three months ended 31 March 2024 and 30 September 2024, and meeting with auditor of the Company before the commencement of the audit for the year ended 31 December 2024.

The following table sets out the attendance of the committee's meeting in 2024:

Committee members	Attendance/number of meetings
Yang Chun Bao (resigned on 2 December 2024)	4/5
Song Zi Zhang	5/5
Wang Guo Zhong	5/5
Ms. Zhu Yi Juan (appointed on 2 December 2024 until the next annual general meeting of the Company and shall then be eligible for re-election at the next annual general meeting)	1/5

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2024 comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors and senior management of the Company and the establishment of formal and transparent procedures for formulating the remuneration policy.

The following table sets out the attendance of the committee's meeting in 2024:

Committee members	Attendance/number of meetings
Zhou Jin Hui	2/2
Yang Chun Bao (resigned on 2 December 2024)	2/2
Song Zi Zhang	2/2

NOMINATION COMMITTEE

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include (i) reviewing and supervising the framework, number of members and composition of the Board and making proposals to the Board in respect of any changes to be made and identifying and nominating suitable persons for appointment of Director; (ii) to assess the independence of independent non-executive Directors and review their annual confirmations on the independence; and (iii) to review the Board diversity policy and the progress on achieving the objectives set for implementing the policy.

The Nomination Committee for the year 2024 comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

The following table sets out the attendance of the committee's meeting in 2024:

Committee members	Attendance/number of meetings
Zhou Jin Hui	2/2
Yang Chun Bao (resigned on 2 December 2024)	2/2
Song Zi Zhang	2/2

DIVERSITY OF THE BOARD

The Group has adopted a policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Board had appointed Mr. Chan Chi Wai Benny ("Mr. Chan") as the company secretary (the "Company Secretary") and an authorised representative of the Company on 9 April 2014. During the year, Mr. Chan undertook over 15 hours professional training to update his skill and knowledge in compliance with Rule 5.15 of the GEM Listing Rules.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed and facilitating communications among Directors as well as with Shareholders and management.

The Company Secretary's biographies are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this report.

AUDITOR'S REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditor of the Company, Ascenda Cachet CPA Limited, amounted to RMB1,000,000 and RMB14,000, respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Environmental, Social and Governance (hereinafter referred to as "ESG") report for the year ended 31 December 2024 released by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (hereinafter referred to as the "Group", "Company", "we", "us" or "our") in compliance with the requirements of the "ESG Reporting Guide" in Appendix 20 to the GEM Listing Rules, with a view to reflecting the overall ESG performance of the Company in an objective and fair manner. Readers are advised to read this report together with the section "Corporate Governance Report" in the annual report. Unless otherwise stated, the scope of this report covers the operating units of Group and its subsidiaries in mainland China, and the Reporting Period is from 1 January 2024 to 31 December 2024 (the "Year"). The ESG Report's contents are sourced from the Group's public information, official documents, and internal statistics. The report adheres to the Environmental, Social and Governance Reporting Guide outlined in Appendix 20 of the GEM Listing Rules. In 2024, the Company performed a thorough evaluation of materiality to determine and rank the environmental, social, and governance issues that may arise from the Group's operations. The Group recognizes the significance of ESG concerns to our shareholders and other stakeholders. In order to maintain robust corporate governance, we consistently gather input from various stakeholders to enhance our ESG strategy and sustainability outcomes.

BOARD STATEMENT

The Board strives to achieve the harmonious development among corporate, society and nature, placing high importance on the ESG governance. Being the highest level authority responsible for the ESG matters and decision making, the Board participates in the entire process of the ESG governance and disclosure and assumes full responsibilities for the Company's ESG strategy development and reporting.

Supervision over the ESG matters: the Board incorporates the ESG matters into the Company's governance structure. The ESG Committee is responsible for reviewing and overseeing the Group's ESG policies and practices as well as providing recommendations to the Board on the ESG management.

ESG management guideline and policy: the Company integrates the ESG governance into its daily management system and sorts and manages ESG related matters and internal and external risks by priority and based on internal strategic planning, macro policy analysis and communications with stakeholders. The Company reports to the Board in respect of the ESG governance, specifying the key aspects and management guidelines and policies of ESG governance, so as to continuously improve and advance the execution and optimization of ESG related work.

Review on the ESG goal: the Board constantly enhances the supervision over and participation of the Company's ESG governance. The Company develops annual environmental goals focusing environment protection, energy conservation and lower carbon, and the Board will review and consider the fulfillment of the goals on a regular basis. This report has been reviewed and approved by the Board on 3 March 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Throughout the Year, the Group adhered closely to all applicable national and regional regulations, in accordance with the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法). As we progress on our ESG path, we maintain our unwavering faith in the world around us and are determined to incorporate ESG components into our operations, business plans, and leadership to promote sustainable, enduring development for our company, stakeholders, and communities.

GOVERNANCE STRUCTURE

The management evaluates, prioritises and manages material ESG-related issues based on our observation and experience in the business environment and regular meetings with frontline employees. The evaluation and prioritisation cover ESG-related issues including, but not limited to, greenhouse gas emissions, resources usage, impacts of climate change, employment and labour practices, operating practices and community investment. The Board takes responsibility for supervising ESG matters. This ESG report has been created and presented to the Board, who have reviewed the advancements made towards achieving ESG objectives and targets.

REPORTING PRINCIPLES

All the business segments of the Group are examined based on specific risks, such as legal risk and reputation risk, associated with the relevant ESG-related issues in order to identify the material ESG factors. ESG factors which are considered material should possess the following characteristics:

— Oversight of such factors would result in personal health issues or injury;

— Neglect of such factors would culminate in harms to the environment; or

— Omission of such factors would cause an unfair market.

Material areas are listed beside each aspect at the beginning of each subject area below.

Information of the methodologies and sources of key conversion factors used on the KPI listed below are stated wherever appropriate. Consistent methodologies are adopted when calculating these KPI.

REPORTING BOUNDARY

The boundary covers the operations of the Group. Concerning electricity and water consumption, we compare the relevant expenses incurred by different operations and identified offices in mainland China as reportable entities, based on their significance. There is no change of the boundary compared with the ESG report for the year ended 31 December 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUBJECT AREAS

(A) Environmental

Exchange ESG Guide Aspects	Material Areas
A1 Emissions	Waste Management
A2 Use of Resources	n/a
A3 The Environment and Natural Resources	n/a
A4 Climate Change Extreme	Weather

Aspect A1: Emissions

The Group is conscious of the need to protect the environment. The Group believes that environmental management starts at the source and should be cultivated at all levels in order to nurture positive attitudes on how environmental resources are used and protected. We support the waste hierarchy of "3Rs" — Reduce, Reuse and Recycle — which aims at waste control and minimisation.

There are a few aspects regarding emissions that routinely apply to our day-to-day business operations:

Air Emission — The Group outsource most of the deliveries to transportation companies. Heavy vehicles are subject to annual mandatory inspection in China. We regularly communicate with the transportation company to ensure that they comply with all requirements in China.

Waste management — As a manufacturer of fire-fighting equipment, solid waste, such as packaging material, is systematically collected and transported to designated Government-funded disposal facilities. For surplus resources, e.g. end-of-life disposal products, we make every effort to ensure their responsible handling and disposal. The Group will isolate any recyclable components, e.g. paper and metals, prior to disposal.

Hazardous Waste — Hazardous waste is not an area of concern. If we are required to handle hazardous waste, they will be securely packaged in purpose-built containers, stored safely and marked as "dangerous" before being independently stored and transported to third-party professionals for safe and legal disposal.

Policies applicable at the Group

✓ Continually monitor regulatory developments in order to remain compliant at all times;

✓ Communicate relevant legal requirements or corporate best practices to all affected stakeholders; and

✓ Practise common sense when it comes to generation of emissions which may be harmful to the environment.

KPI A1.1 Referring to the types of emissions mentioned above, normal level of NOx is generated from engines in vehicles of the transportation companies. Other emissions data (if applicable) are disclosed in the KPI below.

KPI A1.2 Energy indirect greenhouse gas emissions are produced due to consumption of electricity by various offices and factories in different locations — The largest plant of the Group, which is in Shanghai, generates around 66 tonnes of carbon dioxide each year, Greenhouse gas emissions data is presented in carbon dioxide equivalent and is calculated based on the "Greenhouse Emission Calculation Guideline Notice《上海市生態環境局關於調整市溫室氣體排放核算指南相關排放因子數值的通知(滬環氣[2022]34號)》" issued by the Shanghai Municipal Bureau of Ecology and Environment.

KPI A1.3 There is no hazardous waste produced and this KPI is not applicable.

KPI A1.4 Packaging materials weighs approximately 0.1 kg to 0.2 kg for each product, depending on its type and size of products. Such waste weighs approximately 89 tonnes for the Year.

KPI A1.5 Our emission target set is to maintain the carbon dioxide generated at its present level, which is reasonable taking into account the normal consumption of light and air-conditioning during office hours. The Group encourage staff member to save energy during daily work so as to contribute to the environment. Lights and air conditioners are turned off when they are not in use, or are set at energy-saving mode. In the day time, the Group makes good use of the daylight.

KPI A1.6 How non-hazardous wastes are handled, reduction initiatives and results achieved are mentioned under the paragraph "Waste Management" above. Reduction target for packaging materials has been set with a view to enhancing resource efficiency and promoting sustainability. The Group will monitor the effectiveness of the target and will refine it progressively in line with operational needs and environmental objectives. There is no hazardous waste produced.

Aspect A2: Use of Resources

We attach importance to the economical use of natural resources and put resource conservation and resource efficiency in an important position in the Group's development strategy and operation methods. We constantly improve our management system in resource use and energy consumption management, optimize energy saving and emission reduction measures, and devote ourselves to continuously monitoring and constantly improving the performance of the Group's resource use efficiency.

Policies applicable at the Group

✓ Instil a culture of resource-usage consciousness;

✓ Introduction of a framework for assessing resource utilisation, ensuring its optimised application on a systematic basis; and

✓ Dissemination of any current-term measure/procedures, relating to resource usage to stakeholders.

KPI A2.1 Details of electricity consumption can be referred to KPI A1.2 above.

KPI A2.2 The Group consumes around 7,297 tons of water for the Year.

KPI A2.3 As mentioned in KPI A1.5 above.

KPI A2.4 There is no issue in sourcing water that is fit for purpose. The level of water consumption in pantries and toilets is considered reasonable. Where water leakage is identified, employees are encouraged to report to Human Resources and Administration Department immediately.

KPI A2.5 Details of packaging materials used can be referred to KPI A1.4 above.

Aspect A3: The Environment and Natural Resources

The Group is specialises in manufacturing fire-fighting equipment, hence our operations have little impact on the environment or natural resources apart from those mentioned in the previous section. While we do encourage our employees to practise the "3Rs" and to protect the natural environment, as this aspect has no material relevance to our business, we have opted not to report on it, and KPI A3.1 (concerning the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable.

Aspect A4: Climate Change

With the geographical expansion of our customers, in recent years they sought our assistance in delivering our products to different locations across China. Storage of inventory as well as logistics may be impacted by climate-related issues.

Extreme weather — Typhoons and hurricanes with more frequent occurrences and stronger magnitude may cause delay in the despatch of equipment due to flight delays, diversions or cancellation, or in more extreme situations, damage or loss during shipment. Also torrential rain may flood the warehouse and damage the products stored. Business trips can be hindered by such extreme weather conditions. Since technology in weather forecast and software applications have advanced considerably over recent years, the Group has implemented certain policies to mitigate such risks.

Policies applicable at the Group

✓ Pay close attention to weather forecast and communicate with suppliers and customers in advance if interruption to transportation route is expected;

✓ Ensure suitable force majeure clauses are included in the distribution agreements; and

✓ Use videoconferencing applications in order to reduce the necessity of business trips.

KPI A4.1 The Group has not experienced any climate-related issues. Description of such issues which may potentially impact us and the policies to be implemented to manage them are mentioned in the paragraphs above.

(B) Social

Our people are our greatest asset and they are essential to the continued growth at the Group. We staunchly believe that investing in our people and their development is inseparable from the development and ongoing success of our business.

Exchange ESG Guide Aspects	**Material Areas**
B1 Employment	Attraction and Retention of Talents, Working Hours and Rest Periods
B2 Health and Safety	Occupational Health and Safety
B3 Development and Training	Learning and Training
B4 Labour Standards	Human Rights
B5 Supply Chain Management	Assessment of Suppliers
B6 Product Responsibility	Reliable Services and Products
B7 Anti-corruption	Anti-Corruption and Anti-Bribery
B8 Community Investment	Contribution to the Community

Aspect B1: Employment

The Group is an equal opportunity employer and we believe strongly in the principles of diversification and anti-discrimination. Our human resources policies are in strict compliance with those labour laws issued by the government in China, taking the highest standards to be applied across all entities, and other applicable laws and regulations regarding compensation and insurance, employment, promotion and termination of employees.

Attraction and Retention of Talents — With people being our key to success, we offer market competitive employment packages, consisting of both fringe benefits and welfare for all our employees, to ensure that we attract and retain the best people for our business operations. Our comprehensive packages offer discretionary incentives, including bonus scheme, sales commission, medical insurance and retirement protection. In addition, we also encourage our employees to enjoy a well-balanced work and personal life. Other than annual leaves, we help our employees to effectively manage their work and life commitments through such policies as marriage, parental and compassionate leave. For job opportunities for personal development or career advancement, we open up new job postings for internal applications prior to outside recruitments. Any promotions are decided within a level-playing field environment disregard to gender or years of service and are awarded based on experience, performance and the ability to cohere to teamwork.

Working Hours and Rest Periods — Some of our staff are required to be on standby duty in case of emergency and to work during non-office hours and on public holidays. In addition to overtime pay, meal allowance and additional compensation will be paid to those on roster. Any compensation on working hours and rest periods are in full compliance with the relevant local employment ordinances.

Policies applicable at the Group

✓ Focus on sustaining employment practices of excellence, from selection to employee satisfaction;

✓ Preserving a broad approach towards employment standards, beyond legal stipulations; and

✓ Observing good monitoring and assessment methodologies regarding employment practices.

KPI B1.1 As at 31 December 2024, the total workforce of the Group was analysed as follows:

Number of employees	98
By gender	
Male	60
Female	38
By employment type	
Full-time	98
Contract	Nil
By age group	
Below 30	24
30 to 50	46
Over 50	28
By geographical region	
China	98

KPI B1.2 During the Year, the employee turnover rate was as follows:

Rate of growth in employee	17%
By gender	
Male	28%
Female	3%
By age group	
Below 30	26%
30 to 50	7%
Over 50	27%
By geographical region	
China	17%

Aspect B2: Health and Safety

Throughout the Year, our management team and frontline worker supervisors worked diligently to ensure that we complied with all relevant health and safety laws and regulations. These included but were not limited to, the Work Safety Law (中華人民共和國安全生產法), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (中華人民共和國職業病防治法) and the Provisions on Fire Control Safety Education and Training (社會消防安全教育培訓規定) of the People's Republic of China.

Policies applicable at the Group

✓ Implementation of guidelines on contingency planning on fire, injury and fraudulent/threat calls;

✓ Assuring good practices for self-controlled workspaces by establishing sound working standards and anticipating, or swiftly resolving, issues; and

✓ Due diligence on the workplace/facilities owned/controlled by clients, contractors, suppliers or any other external entity.

KPI B2.1 There were no work-related fatalities occurred in each of the past three years including the Year.

KPI B2.2 There were no lost days due to work injury.

KPI B2.3 Description of occupational health and safety measures adopted are mentioned in the paragraphs above. Our employee handbook sent to employees outlines those measures. Disinfectants and painkillers are placed in the offices. For installation and inspection works to be performed, senior management will visit the premises first to ensure proper working conditions for our employees. Any injury needs to be reported to the line manager immediately.

Aspect B3: Development and Training

The Group places great emphasis on the training and development of its personnel. The management recognizes that a sustainable workforce is essential to meet the demands of a rapidly evolving business environment. By investing in employee development, the Group aims to build a team of skilled professionals who can adapt to changing circumstances and contribute to the company's long-term success.

Learning and Training — Our training and development approach focuses on: 1. internal and on-the-job training, rotating them to different support teams to broaden their exposure and to build up their technical skills; and 2. external training in several specific knowledge areas or skill sets if needed.

Policies applicable at the Group

✓ Formulation of a long-term training and development strategy;

✓ Elaboration of training and development plans; and

✓ Periodic formal review of the training and development programmes.

KPI B3.1 During the Year, the percentage of employees who received training are analysed below:

By gender	
Male	20%
Female	21%
By category	
Executive Directors and senior management	50%
Other employees	50%

KPI B3.2 During the Year, the average training hours completed per employee are analysed below:

By gender	
Male	20
Female	20
By category	
Executive Directors and senior management	15
Other employees	20

Aspect B4: Labour Standards

The Group takes a strong stance against the exploitation of minors and child labour.

Human Rights — We are committed to only hiring individuals who meet the minimum age requirements in the regions where we operate. We understand that child and forced labour are criminal acts, and we take measures to ensure that our partners do not engage in such activities. Our whistleblower policy encourages individuals to report any potential incidents of abuse or illegality without fear of penalty or retaliation. Additionally, we educate our workforce on how to recognize and report any corporate malfeasance, including fiscal improprieties or perceived criminal activity. The Group is dedicated to upholding ethical standards and promoting a safe working environment for all employees.

Policies applicable at the Group

- ✓ Incorporation of guidelines concerning forced and child labour in employment practices;
- ✓ Consistent verification of compliance with the latest legal development; and
- ✓ Whistleblower protection to record any illegal activities.

KPI B4.1 The age of each new employee is verified against his identity card to ensure minimum age requirement is attained. Salary for each employee is determined compared with similar position in the industry of the relevant jurisdiction.

KPI B4.2 No child and forced labour were discovered throughout the history of the Group. Such practices should be terminated with immediate effect and be reported to the authorities.

Aspect B5: Supply Chain Management

We prioritize "ethics, quality, safety and efficiency" and regularly evaluate our operational procedures — from supplier evaluation and procurement to contract execution and safety management. Our supply chain is built on collaboration, mutual benefits, standards, and integrity.

Assessment of Suppliers — Though we depends on the support of its suppliers, we remain vigilant in our selections of contractors, not only in terms of quality, cost, service and delivery, but also for their corporate commitment to upholding high standards of ethical, environmental and social responsible behaviour over 1. legal and regulatory compliance; 2. environmental protection; 3. human rights of workers; 4. occupational health and safety; and 5. prevention of corruption and bribery.

Policies applicable at the Group

- ✓ Conduct yearly assessment concerning environmental and social risks over selection of suppliers; and
- ✓ Whistleblower protection to record any illegal activities related to kickbacks.

KPI B5.1 During the Year, the all suppliers are located in China.

KPI B5.2 We take into consideration during the selection of suppliers include price, specification and quality of the products, service quality and product support. This practice is implemented with all our suppliers.

KPI B5.3 We will request ESG report or similar documents from suppliers in order to get informed on the ethical, environmental and social risks which the industry is facing. Also we shall pay attention to the news to understand if our suppliers are involved in any ethical, environmental or social issues.

KPI B5.4 Frequent meetings are held with both frontline and management of the suppliers. During such meetings, we obtain up-to-date information about their products or services sustainability, for example, if the product is manufactured with eco-friendly materials. Also we can communicate with them on our concerns about any environmental issues, such as packaging materials.

Aspect B6: Product Responsibility

The Group places a high emphasis on product responsibility and takes its fiduciary duties seriously. This involves carefully vetting suppliers and their products to ensure that only reliable and high-quality items are delivered to customers. By doing so, the Group can maintain its reputation for excellence and build trust with its customers.

Reliable Services and Products — Providing reliable services and products to our customers is our top priority. We place great importance in applying stringent due diligence on the products and services that we provide for our customers to ensure that, while they meet their intended business requirements, they also adhere to internationally-recognised safety standards.

Policies applicable at the Group

✓ Establishment of formal guidance concerning product responsibility;

✓ Periodic assessment/revision of product responsibility guidance; and

✓ Effecting action/initiatives when deemed necessary.

KPI B6.1 No products sold or shipped are subject to recalls for safety and health reasons during the Year.

KPI B6.2 No official complaint related to products and services were received during the Year. Any complaint will be recorded in a log book and management responsible for customer service would determine if such complaint could be fixed. Continuous communication with customers will help to bolster their confidence in the products and services provided by the Group.

KPI B6.3 The "Pujiang" trademark is registered with the authorities in China. Agreements are entered into with suppliers with clauses protecting intellectual property rights of both parties.

KPI B6.4 We ensure that the products received from our suppliers are not damaged during transportation and fit for the purpose of our productions. Distribution agreements with suppliers include return merchandise authorisation clauses which illustrate steps to be taken when customers report defects of products.

KPI B6.5 Basically before any business negotiation, the Group executes non-disclosure agreements with potential customers and suppliers, and such confidentiality clauses will continue in the contracts afterwards. In addition, all employees are informed about the importance of data protection for the customers, suppliers and ourselves and such responsibilities are stated in the employee handbook.

Aspect B7: Anti-Corruption

The Group is dedicated to conducting business with honesty, integrity, and adherence to the laws of all countries in which we operate. This includes strict compliance with domestic and foreign laws prohibiting improper payments or inducements to any person, including public officials. Our policy is to conduct all business in an ethical manner, with zero tolerance for corruption and bribery. We are committed to acting professionally, fairly, and with integrity in all our dealings and relationships. Our financial framework revolves around purchasing products and services under strict contractual terms that are closely monitored to prevent fraud or favoritism. We perform regular due diligence when appointing Board members, management personnel, and other staff to avoid potential conflicts of interest.

All employees receive relevant policies and guidelines on anti-corruption and anti-bribery measures as well as training updates on new laws or regulations that may impact our business. We encourage openness within the organization by supporting anyone who raises genuine concerns in good faith under our anti-corruption policies without fear of penalty. To this end, we have adopted a whistleblower policy that ensures complete privacy for individuals who come forward with information about potential violations of our policies.

Policies applicable at the Group

✓ Implementation of guidelines on anti-corruption and anti-bribery practices; and

✓ Whistleblower protection.

KPI B7.1 No legal cases regarding corrupt practices were brought against us or our employees during the Year.

KPI B7.2 Description of preventive measures and whistle-blowing procedures are mentioned in the paragraphs above. Our employee handbook sent to employees outlines those measures.

KPI B7.3 Description of anti-corruption training provided to Directors and employees are mentioned in the paragraphs above.

Aspect B8: Community Investment

The Group is dedicated to creating a beneficial influence on our internal and external stakeholders, as well as the communities we engage with through proactive social or humane investments. We strive to make a positive impact on society by investing in initiatives that promote sustainability, diversity, and inclusion.

Contributions to the Community — The Group is committed to developing positive relationships with the communities in which we operate. We chose to vacate a factory in a residential area during the process of consolidating the productions, which created a better living environment.

Our goal is to enhance our comprehension of the communities we serve and their requirements. We will persist in investigating various channels and platforms to make valuable contributions to these local communities.

Policies applicable at the Group

✓ Definition of the nature and extent of involvement in the communities where the corporation has operations, or is related to; and

✓ Periodic assessment of success, regarding philanthropic initiative.

KPI B8.1 Our focus area of contribution is education and environmental concern.

KPI B8.2 Our resources contributed to the focus areas are mentioned in the paragraphs above.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment business, lease of office building and industrial properties and sales of aquarium products and other products.

The business review of the Group for the year is included in the Chairman's Statement on pages 3 to 4 and Management Discussion and Analysis on pages 5 to 8 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2024 and the Group's financial position at that date are set out in the consolidated financial statements on pages 44 to 135.

The directors of the Company do not recommend the payment of any dividend in respect of the year (2023: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 136. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

There is no change in registered, issued and fully paid capital of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the year.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered by the Company during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2024, calculated under the Company Law of the People's Republic of China (the "PRC", being the jurisdiction in which the Company were established) amounted to approximately RMB33,889,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 63% of the total revenue and revenue contributed by the largest customer included therein accounted for approximately 34% of the total revenue.

Purchases from Group's five largest suppliers accounted for approximately 61% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 33% of the total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company as of the date of this report were:

Executive Directors:
Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent non-executive Directors:
Mr. Yang Chun Bao (resigned on 2 December 2024)
Mr. Wang Guo Zhong
Mr. Song Zi Zhang
Ms. Zhu Yi Juan (appointed on 2 December 2024 until the next annual general meeting of the Company and shall then be eligible for re-election at the next annual general meeting)

The Company has received annual confirmations of independence from Ms. Zhu Yi Juan, Mr. Wang Guo Zhong and Mr. Song Zi Zhang and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. On 30 June 2023, the Company has re-elected Directors with a term until the commencement of the 2026 general meeting where re-election would be conducted.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Company.

PERMITTED INDEMNITY PROVISION

No permitted indemnity provision as defined in Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by the directors of the Company during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company nor any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of Share Capital total issued
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note:

1. Liancheng Fire-Fighting Group Company Limited ("Liancheng") holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 December 2024, none of the Directors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Number of shares	Approximate percentage of Share capital total registered
Liancheng Fire-Fighting Group Company Limited *(Note 3)*	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%

Notes:

1. All represent domestic shares of the Company.

2. Liancheng Fire-Fighting Group Company Limited ("Liancheng") hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

3. On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, as at 31 December 2024 the Company has not been notified by any substantial shareholders of the Company other than the Directors or chief executives, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The Company has provided inspection services to a company controlled by a director of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.. These transactions are qualified for full exemption pursuant to GEM Listing Rules 20.74(1). The Group had no material continuing connected transactions during the year. Nevertheless, the independent non- executive Directors have examined and confirmed that:

(i) these transactions were executed in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favourable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms);

(iii) these transactions were executed in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole; and

(iv) these transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

AUDITOR

There have been no changes of auditor in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Zhou Jin Hui
Chairman

Shanghai, The PRC
3 March 2025

* *for identification purposes only*

INDEPENDENT AUDITOR'S REPORT

Ascenda CACHET
天健德揚

10/F Tien Chu Commercial Building
173 Gloucester Road
Wanchai Hong Kong

TO THE MEMBERS OF
SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.
(A joint stock limited company established in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 135, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the 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 International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Impairment assessment of goodwill

Reference is made to notes 2.4 and 3 to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 15 of the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
The net carrying amount of the Group's goodwill was approximately RMB2,320,000 (with accumulated impairment of approximately RMB1,891,000) as at 31 December 2024, which was arising from the acquisition of the marine fire-fighting equipment cash generating unit (the "Marine CGU"). For the purpose of impairment assessment of goodwill, the directors (the "Directors") of the Company engaged an independent valuer (the "Valuer") to perform a valuation (the "Marine Valuation") to determine the recoverable amount of the Marine CGU by a value in use calculation based on a cash flow forecast (the "Marine Forecast") prepared by the management. Significant management judgement and estimation was used to determine the key assumptions underlying the Marine Forecast and the Marine Valuation, including the discount rate, growth rate, terminal growth rate, gross margin and turnover. Based on the impairment assessment with reference to the Marine Valuation, the Group provided an impairment of goodwill of approximately RMB1,891,000 for the year ended 31 December 2024. For the above reasons, we identified the impairment assessment of goodwill as a key audit matter.	Our procedures in relation to management's assessment of impairment of goodwill included: — Discussing with management and the Valuer to understand the basis of valuation approach and methodology used in the Marine Forecast and the Marine Valuation; — Challenging the management and the Valuer on the adoption of the assumptions and estimations in the Marine Forecast and the Marine Valuation; — Evaluating the independence, professionalism and accuracy of the work performed by the Valuer; — Evaluating the reasonableness and appropriateness of the Marine Forecast and the Marine Valuation and the assumptions, information and parameters used in the models, including the discount rate, growth rate, terminal growth rate, gross margin and turnover used by the management in assessing the recoverable amount of the Marine CGU; and — Recalculating the provision of the impairment of goodwill, if any, and assessing the sufficiency of the impairment as at 31 December 2024.

KEY AUDIT MATTERS (CONTINUED)

2. Provision for inventories

Reference is made to notes 2.4 and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 17 of the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
The carrying amount of the Group's inventories was approximately RMB9,558,000 (net of provision for impairment of inventories of approximately RMB701,000) as at 31 December 2024. For the purpose of impairment assessment of inventories, the Directors performed an assessment (the "Impairment Assessment"), including the provision for obsolete or slow moving inventories at the end of the reporting period based on their consideration of the obsolescence and the net realisable value of inventories. Significant management judgement and estimation was used to determine the key assumptions underlying the Impairment Assessment, including (i) condition of products; (ii) estimated selling prices in the ordinary course of business less estimated costs to completion; (iii) estimated selling expenses; and (iv) expectation of future sales orders. For the above reasons, we identified the determination of the provision for inventories as a key audit matter.	Our procedures in relation to management's assessment of provision for inventories included: — Discussing with management to understand the basis of approach and methodology of the Impairment Assessment; — Challenging the management on the adoption of the assumptions and estimations in the Impairment Assessment; — Identifying aged and/or damaged inventories during the physical inventory count; — Obtaining and reviewing the inventory ageing analysis; — Assessing the methodology and assumptions used in the calculation of the provision for inventories; — Checking, on a sample basis, the accuracy and relevance of the selling prices, cost to completion and selling expenses of the inventories subsequent to the end of the reporting period or closest to year end and the expectation of future sales orders; — Checking, on a sample basis, aged inventories for subsequent sales or usage after the end of the reporting period; and — Recalculating the provision for inventories and assessing the sufficiency of the provision as at 31 December 2024.

KEY AUDIT MATTERS (CONTINUED)

3. Provision for expected credit loss allowance on trade receivables

Reference is made to notes 2.4 and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 18 of the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
The carrying amount of the Group's trade receivables was approximately RMB15,627,000 (net of loss allowance of RMB366,000) as at 31 December 2024. The Group has applied the simplified approach for determining the expected credit loss ("ECL") on trade receivables, which are assessed individually for customers which are credit impaired and collectively using a provision matrix. For the purpose of assessing the ECL, the Directors performed an assessment (the "ECL Assessment") regarding ECL on trade receivables based on management's assumptions. Significant management judgement and estimation was used to determine the key assumptions underlying the ECL Assessment, including (i) the probability of default ("PD") and loss given default ("LGD"); and (ii) the selection and use of reasonable and supportable forward looking information without undue cost or effort in the ECL Assessment. Based on the ECL Assessment, the Group recognised a provision for ECL allowance on trade receivables of approximately RMB92,000 for the year. For the above reasons, we identified the provision for ECL allowance on trade receivables as a key audit matter.	Our procedures in relation to management's assessment of the provision for ECL allowance on trade receivables included: — Discussing with management to understand the basis of approach and methodology of the ECL Assessment; — Challenging the management on the adoption of the assumptions and estimations in the ECL Assessment; — Evaluating the reasonableness and appropriateness of the ECL Assessment and the assumptions, information and parameters used in the model, including PD, LGD and forward-looking factors; — Checking the information used by management to develop the provision matrix including ageing analysis of trade receivables, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; — Checking settlements subsequent to the end of the reporting period relating to the trade receivables as at 31 December 2024 on a sample basis; and — Recalculating the ECL allowance on trade receivables, and assessing the sufficiency of the ECL allowance as at 31 December 2024.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Chi Yuen.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
3 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**84,460**	74,137
Cost of sales and services provided	6	**(59,392)**	(52,587)
Gross profit		**25,068**	21,550
Other income and gains	5	**4,279**	4,950
Selling and distribution expenses		**(3,581)**	(3,096)
Administrative expenses		**(14,555)**	(11,291)
Finance costs	7	**(234)**	(368)
Impairment of goodwill		**(1,891)**	–
(Provision for)/Reversal of expected credit loss ("ECL") allowance on trade receivables, net	6	**(92)**	1,410
Profit before tax	6	**8,994**	13,155
Income tax credit/(expense)	10	**874**	(1,678)
Profit for the year		**9,868**	11,477
Attributable to:			
Owners of the Company		**4,350**	8,521
Non-controlling interests		**5,518**	2,956
		9,868	11,477
EARNINGS PER SHARE	11		
Basic (RMB cents)		**2.32**	4.55
Diluted (RMB cents)		**2.32**	4.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**9,868**	11,477
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**-**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,868**	11,477
Attributable to:		
Owners of the Company	**4,350**	8,521
Non-controlling interests	**5,518**	2,956
	9,868	11,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**18,557**	19,030
Right-of-use assets	*14(a)*	**1,094**	1,436
Goodwill	*15*	**2,320**	4,211
Intangible assets	*16*	**135**	315
Deposits and other receivables	*19*	**1,625**	1,786
Deferred tax assets	*26(b)*	**21**	100
Total non-current assets		**23,752**	26,878
CURRENT ASSETS			
Inventories	*17*	**9,558**	8,490
Trade and bills receivables	*18*	**15,627**	10,231
Prepayments, deposits and other receivables	*19*	**4,365**	4,226
Due from a related company	*20*	**698**	698
Cash and cash equivalents	*21*	**148,426**	143,391
Total current assets		**178,674**	167,036
CURRENT LIABILITIES			
Trade payables	*22*	**7,067**	7,425
Other payables and accruals	*23*	**4,529**	4,677
Lease liabilities	*14(b)*	**1,083**	805
Due to immediate holding company	*25*	**906**	906
Due to non-controlling interests	*25*	**41**	41
Tax payables		**173**	121
Total current liabilities		**13,799**	13,975
NET CURRENT ASSETS		**164,875**	153,061
TOTAL ASSETS LESS CURRENT LIABILITIES		**188,627**	179,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured	*24*	**5,790**	5,790
Lease liabilities	*14(b)*	**408**	960
Deferred tax liabilities	*26(b)*	**8,486**	10,165
Total non-current liabilities		**14,684**	16,915
Net assets		**173,943**	163,024
EQUITY			
Equity attributable to owners of the Company			
Paid-up capital	*27*	**18,743**	18,743
Reserves	*28*	**131,797**	126,469
		150,540	145,212
Non-controlling interests		**23,403**	17,812
Total equity		**173,943**	163,024

Zhou Jin Hui
Director

Shi Hui Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the Company								
	Paid-up capital RMB'000 (note 27)	Share premium* RMB'000 (note 28(i))	Capital reserve* RMB'000 (note 28(ii))	Statutory reserve fund* RMB'000 (note 28(iii))	Discretionary common reserve fund* RMB'000 (note 28(iv))	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023:	18,743	10,910	44,149	10,042	1,500	50,353	135,697	14,410	150,107
Profit for the year and total comprehensive income for the year	–	–	–	–	–	8,521	8,521	2,956	11,477
Fair value of land use right granted by shareholder and non-controlling interests	–	–	994	–	–	–	994	846	1,840
Dividend paid	–	–	–	–	–	–	–	(400)	(400)
Transfer to statuary reserve fund	–	–	–	972	–	(972)	–	–	–
At 31 December 2023	18,743	10,910	45,143	11,014	1,500	57,902	145,212	17,812	163,024
At 1 January 2024:	**18,743**	**10,910**	**45,143**	**11,014**	**1,500**	**57,902**	**145,212**	**17,812**	**163,024**
Profit for the year and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4,350**	**4,350**	**5,518**	**9,868**
Fair value of land use right granted by shareholder and non-controlling interests	**-**	**-**	**984**	**-**	**-**	**-**	**984**	**856**	**1,840**
Acquisition of non-controlling interest	**-**	**-**	**(6)**	**-**	**-**	**-**	**(6)**	**(607)**	**(613)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(176)**	**(176)**
Transfer to statuary reserve fund	**-**	**-**	**-**	**559**	**-**	**(559)**	**-**	**-**	**-**
At 31 December 2024	**18,743**	**10,910**	**46,121**	**11,573**	**1,500**	**61,693**	**150,540**	**23,403**	**173,943**

* These reserve accounts comprise the consolidated reserves of approximately RMB131,797,000 (2023: approximately RMB126,469,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,994**	13,155
Adjustments for:			
Write-off of property, plant and equipment	*6, 13*	**-**	662
Finance costs	*7*	**234**	368
Depreciation of property, plant and equipment	*6, 13*	**1,270**	1,250
Depreciation of right-of-use assets	*6, 14(a)*	**547**	632
Amortisation of intangible assets	*6, 16*	**180**	180
Impairment of goodwill	*6, 15*	**1,891**	–
Gain on termination of lease		**(15)**	(79)
Fair value of land use right*		**1,840**	1,840
Provision for/(Reversal of) ECL allowance on trade receivables	*6, 18*	**92**	(1,410)
Interest income	*5, 6*	**(2,284)**	(2,656)
Realised gains on financial assets at fair value through profit or loss	*5, 6*	**(1,001)**	(268)
		11,748	13,674
(Increase)/Decrease in inventories		**(1,068)**	3,150
Increase in trade and bills receivables		**(5,488)**	(740)
Increase in prepayments, deposits and other receivables		**(591)**	(2,316)
(Decrease)/Increase in trade payables		**(358)**	1,675
Decrease in other payables and accruals		**(148)**	(1,195)
Cash flows from operations		**4,095**	14,248
Corporate income tax paid		**(674)**	(466)
Net cash flows from operating activities		**3,421**	13,782

* The amount represents fair value of the shareholder and non-controlling interests' contribution by granting a land use right to a subsidiary at nil consideration.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(797)**	(484)
Interest received		**2,284**	2,656
Net amount received from disposal of financial assets at fair value through profit or loss		**1,001**	268
Net cash flows from investing activities		**2,488**	2,440
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings, secured	*29(a)*	**-**	(6,953)
New bank borrowings, secured	*29(a)*	**-**	5,790
Principal portion of lease payments	*29(a)*	**(464)**	(540)
Interest portion of lease payments	*29(a)*	**(55)**	(75)
Interest paid	*29(a)*	**(179)**	(293)
Dividend paid to non-controlling interests		**(176)**	(400)
Net cash flows used in financing activities		**(874)**	(2,471)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,035**	13,751
Cash and cash equivalents at beginning of year		**143,391**	129,640
CASH AND CASH EQUIVALENTS AT END OF YEAR		**148,426**	143,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**148,426**	143,391

1. CORPORATE AND GROUP INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Factory was transformed into a joint stock limited liability company in the People's Republic of China (the "PRC") on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. ("上海青浦消防器材股份有限公司") (the "Company"). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong.

The Company's H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Group's principal activities have not changed and consisted of the following:

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- sales of marine fire-fighting equipment and provision of related installation and inspection services;
- provision of fire technology inspection services;
- manufacture and sale of aquarium products;
- trading of other products; and
- lease of office building and industrial properties.

In the opinion of the directors (the "Directors") of the Company, the Company's immediate holding company is 聯城消防集團股份有限公司 (literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng"), a limited liability company established in the PRC, and the ultimate holding company is 浙江恒泰房地產有限公司 (literally translated as "Zhejiang Hengtai Real Estate Company Limited", "Zhejiang Hengtai"), a limited liability company established in the PRC.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the subsidiaries of the Company are as follows:

Name	Place of establishment and business	Registered capital/paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
上海黎明消防檢測有限公司*+ (Shanghai Liming Fire Testing Co., Limited)	PRC	RMB5,000,000	90%	–	Provision of fire technology inspection services
上海鐵錨壓力容器(集團)有限公司*+ (Shanghai Anchor Pressure Vessel (Group) Limited) ("Anchor")	PRC	RMB70,000,000	90%	9%	Investment holding
上海元奉高壓容器有限公司*+ (Shanghai Yuanfeng Pressure Vessels Co., Limited)	PRC	RMB5,000,000	–	94.05%	Inactive
上海元蓬國際貿易有限公司*+ (Shanghai J.S.X. International Trading Corporation)	PRC	RMB5,000,000	–	99%	Trading of pressure vessels and other products
上海高壓特種氣瓶有限公司*+@ (Shanghai Pressure Special Gas Cylinder Co., Limited) ("Special Cylinder")	PRC	RMB19,170,000	–	59.4%	Lease of industrial properties
上海安航海上消防設備有限公司*+ (Shanghai An Hang Marine Fire-Fighting Equipment Co., Limited) ("Shanghai An Hang")	PRC	RMB5,000,000	90%	9%	Sales of marine fire-fighting equipment and provision of related installation and inspection services
上海荻野生物科技有限公司*+ (Shanghai Ogino Biotechnology Co., Limited) ("Shanghai Ogino")	PRC	RMB4,000,000	–	44.1%^	Manufacture and sale of aquarium products
寧波狄野生物科技有限公司*+ (Ningbo Ogino Biotechnology Co., Limited) ("Ningbo Ogino")	PRC	RMB1,000,000	–	44.1%^	Sales of aquarium products

* Ascenda Cachet CPA Limited is not the statutory auditor of these subsidiaries.

\+ These subsidiaries are registered as limited liability companies in the PRC.

@ Pursuant to shareholders agreement, the profit of Special Cylinder would be shared by Anchor and the non-controlling interest (上海洋涇工業公司 (literally translated as "Shanghai Yangjing Industrial Co.")), at 54% and 46%, respectively.

^ The Company, through its non-wholly owned subsidiary, has a majority voting right in the board of directors of both of Shanghai Ogino and Ningbo Ogino so as to directly control its operating, financing and relevant activities through the respective board of directors. Shanghai Ogino and Ningbo Ogino are accounted for as subsidiaries of the Group by virtue of the Company's control over them.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) promulgated by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. RMB is the Group's functional and presentation currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Change in accounting policies and disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies and disclosures (Continued)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards (Continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards (Continued)

Annual Improvements to IFRS Accounting Standards — Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on Implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures:* The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on Implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on Implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of profit or loss or other comprehensive income, as appropriated.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash- generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 40 years
Machinery	8 to 10 years
Furniture, fixtures and computer equipment	6 to 10 years
Motor vehicles	4 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and Licenses

Patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	2 to 20 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payment include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

As a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases is recognised as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

When the Group is an intermediate lessor, a sublease is classified as an operating lease with reference to the right-of-use asset arising from the head lease.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, secured and amount due to the immediate holding company and non-controlling interest.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Initial recognition and measurement (Continued)

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows. Otherwise, the financial liabilities are classified in interest-bearing bank and other borrowings in the statement of financial position and the related cash flows are included in financing activities in the statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Warranty provisions

The Group provides warranties in relation to the sale of marine fire-fighting equipment for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Employee benefits

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

(a) Sale of pressure vessels, aquarium products and marine fire-fighting equipment

Revenue from sale of equipment and products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment and products.

Certain contracts provide a customer with a right to return the goods within a specified period, giving rise to variable consideration. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Fire technology inspection services and marine fire-fighting equipment inspection services

Revenue from inspection services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Trading of other products

The Group has contracts with customers to acquire, on their behalf, other products produced by foreign suppliers. The Group is acting as an agent in these arrangements.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses and temporary differences at 31 December 2024 was RMB1,009,000 (2023: RMB4,997,000) and RMB9,930,000 (2023: RMB11,973,000), respectively. Further details are contained in note 26(a) to the consolidated financial statements.

Consolidation of entities in which the Group holds less than a majority of effective equity interest

The Group determines whether an equity investment should be accounted for as a subsidiary and has developed criteria in making that judgement. A subsidiary is an entity controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Judgement is made on an individual basis to determine the extent of power the Group held over the investee. The Group considers that it controls Shanghai Ogino and Ningbo Ogino even though it owns less than 50% of the effective equity interest as it has a majority voting right in the board of directors of both companies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB2,320,000 (2023: RMB4,211,000). Further details are given in note 15 to the consolidated financial statements.

Impairment of property, plant and equipment and right of use assets

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The estimated useful life is generally the term of the patent and trademark. Using the patent and trademark term reflects the period over which the Group will receive economic benefit. The estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the patent and trademark. The economic lives are periodically reviewed taking into consideration such factors as changes.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items. Management reassesses these estimates at the end of each reporting period.

Write-off of trade receivables and provision for ECL allowance on trade receivables

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other than write-off of trade receivables, the Group uses a provision matrix to calculate ECL allowance on trade receivables. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions may also not be representative of a customer's actual default in the future.

Further details on the ECLs on the Group's trade receivables are set out in note 18 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(i) Fire-fighting equipment segment — manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);

(ii) Aquarium products segment — manufacture and sale of aquarium products;

(iii) Marine fire-fighting equipment segment — sales of marine fire-fighting equipment and provision of related installation services;

(iv) Inspection services segment — provision of fire technology inspection services and marine fire-fighting equipment inspection services;

(v) Property investment segment — investment and lease of office buildings and industrial properties for rental income purpose; and

(vi) Trading segment — trading of other products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, government grant, finance cost (other than interest on lease liabilities), and realised gains on financial assets at fair value through profit or loss as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, deferred tax assets and amount due from a related company as these assets are managed on a group basis.

Segment liabilities exclude amounts due to immediate holding company, non-controlling interests, secured interest-bearing bank borrowings, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2024

	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Property investment RMB'000	Trading RMB'000	Total RMB'000
Segment revenue *(note 5)*:							
Sales/Services provided to external customers	22,823	35,122	12,540	6,734	-	-	77,219
Gross rental income	-	-	-	-	7,241	-	7,241
Total segment revenue	22,823	35,122	12,540	6,734	7,241	-	84,460
Segments results	(4,186)	6,388	(2,114)	1,737	5,094	-	6,919
Interest income							2,284
Realised gains on financial assets at fair value through profit or loss							1,001
Finance cost (other than interest on lease liabilities)							(179)
Government grant							353
Corporate and unallocated income							199
Corporate and unallocated expenses							(1,583)
Profit before tax							8,994
Segment assets	12,636	27,915	8,298	1,448	3,815	-	54,112
Inter-segment elimination							(831)
Unallocated assets							149,145
Total assets							202,426
Segment liabilities	3,269	3,414	4,499	245	2,491	-	13,918
Inter-segment elimination							(831)
Unallocated liabilities							15,396
Total liabilities							28,483
Capital expenditure*	874	790	-	-	-	-	1,664
Provision for ECL allowance on trade receivables, net	-	-	92	-	-	-	92
Depreciation and amortisation	612	1,033	-	352	-	-	1,997

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023

	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Property investment RMB'000	Trading RMB'000	Total RMB'000
Segment revenue *(note 5)*:							
Sales/Services provided to external customers	23,447	27,315	9,580	6,796	–	–	67,138
Gross rental income	–	–	–	–	6,999	–	6,999
Total segment revenue	23,447	27,315	9,580	6,796	6,999	–	74,137
Segments results	53	2,927	1,763	1,600	5,010	–	11,353
Interest income							2,656
Realised gains on financial assets at fair value through profit or loss							268
Finance cost (other than interest on lease liabilities)							(293)
Government grant							393
Corporate and unallocated income							309
Corporate and unallocated expenses							(1,531)
Profit before tax							13,155
Segment assets	13,784	23,995	9,282	1,826	1,669	–	50,556
Inter-segment elimination							(831)
Unallocated assets							144,189
Total assets							193,914
Segment liabilities	4,745	2,304	4,362	1,001	2,286	–	14,698
Inter-segment elimination							(831)
Unallocated liabilities							17,023
Total liabilities							30,890
Capital expenditure*	1,213	264	–	–	–	–	1,477
Reversal of provision for ECL allowance on trade receivables, net	–	–	(1,410)	–	–	–	(1,410)
Write-off of property, plant and equipment	–	–	662	–	–	–	662
Depreciation and amortisation	694	1,017	–	351	–	–	2,062

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2024	2023
	RMB'000	RMB'000
The PRC	**63,151**	53,390
European countries	**17,381**	18,357
Other countries	**3,928**	2,390
Total	**84,460**	74,137

(b) Non-current assets

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Information about major customers

Revenue from customers contributing over 10% of the total revenue are as follows:

	2024	2023
	RMB'000	RMB'000
Customer A*	**28,844**	23,374
Customer B**	**14,205**	15,968
Total	**43,049**	39,342

* Revenue from aquarium products segment.

** Revenue from fire-fighting equipment segment.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers:		
Sales of pressure vessels	**22,823**	23,447
Sales of aquarium products	**35,122**	27,315
Sales of marine fire-fighting equipment	**12,540**	9,580
Inspection services fee	**6,734**	6,796
	77,219	67,138
Revenue from other sources:		
Gross rental income	**7,241**	6,999
Total revenue	**84,460**	74,137

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregate revenue information

Year ended 31 December 2024

Segments	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Total RMB'000
Type of goods or services					
Sales of goods	22,823	35,122	12,540	-	70,485
Inspection services	-	-	-	6,734	6,734
Total revenue from contracts with customers	22,823	35,122	12,540	6,734	77,219
Geographical markets					
The PRC	1,514	35,122	12,540	6,734	55,910
European countries	17,381	-	-	-	17,381
Other countries	3,928	-	-	-	3,928
Total revenue from contracts with customers	22,823	35,122	12,540	6,734	77,219
Timing of revenue recognition					
Goods transferred at a point in time	22,823	35,122	12,540	-	70,485
Services transferred over time	-	-	-	6,734	6,734
Total revenue from contracts with customers	22,823	35,122	12,540	6,734	77,219
Revenue from contracts with customers					
External customers	22,823	35,122	12,540	6,734	77,219

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregate revenue information (Continued)

Year ended 31 December 2023

Segments	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Total RMB'000
Type of goods or services					
Sales of goods	23,447	27,315	9,580	–	60,342
Inspection services	–	–	–	6,796	6,796
Total revenue from contracts with customers	23,447	27,315	9,580	6,796	67,138
Geographical markets					
The PRC	2,700	27,315	9,580	6,796	46,391
European countries	18,357	–	–	–	18,357
Other countries	2,390	–	–	–	2,390
Total revenue from contracts with customers	23,447	27,315	9,580	6,796	67,138
Timing of revenue recognition					
Goods transferred at a point in time	23,447	27,315	9,580	–	60,342
Services transferred over time	–	–	–	6,796	6,796
Total revenue from contracts with customers	23,447	27,315	9,580	6,796	67,138
Revenue from contracts with customers					
External customers	23,447	27,315	9,580	6,796	67,138

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sales of pressure vessels, aquarium products, marine fire-fighting equipment and other products

The performance obligation is satisfied at a point in time upon delivery of the products and payment is generally due within two to three months from delivery, except for new customers, where payment in advance is normally required.

Fire technology inspection services and marine fire-fighting equipment inspection services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

Other income and gains

	2024	2023
	RMB'000	RMB'000
Interest income *(note 6)*	**2,284**	2,656
Realised gains on financial assets at fair value through profit or loss *(note 6)*	**1,001**	268
Government grant*	**353**	393
Sales of scraps	**-**	18
Recovery of trade receivables previously written-off *(note 6)*	**200**	1,150
Exchange gains, net *(note 6)*	**252**	129
Others	**189**	336
Total other income and gains	**4,279**	4,950

* The Group received unconditional government grant of RMB353,000 (2023: RMB393,000) for the years in respect of subsidies for supporting enterprises development and demolition of factory buildings, etc. There were no unfulfilled conditions or contingencies attaching to these government subsidies.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold@		**53,578**	46,345
Cost of services provided@		**3,964**	4,379
Cost of rental income		**1,850**	1,863
		59,392	52,587
Depreciation of right-of-use assets@	*14(a)*	**547**	632
Amortisation of intangible assets*	*16*	**180**	180
Depreciation of property, plant and equipment@	*13*	**1,270**	1,250
Auditor's remuneration:			
Assurance services		**1,000**	967
Other services		**14**	13
		1,014	980
Write-off of property, plant and equipment	*13*	**-**	662
Impairment of goodwill	*15*	**1,891**	–
Provision for/(Reversal of) ECL allowance on trade receivables, net	*18*	**92**	(1,410)
Employee benefits expenses@ (including directors' and supervisors' remuneration)#:			
Wages and salaries		**8,940**	8,079
Pension scheme contributions		**1,327**	1,279
		10,267	9,358
Exchange gains, net	*5*	**(252)**	(129)
Recovery of trade receivables previously written-off	*5*	**(200)**	(1,150)
Interest income	*5*	**(2,284)**	(2,656)
Realised gains on financial assets at fair value through profit or loss	*5*	**(1,001)**	(268)

* The amortisation of intangible assets for the year are included in "administrative expenses" in the consolidated statement of profit or loss.

\# During the years ended 31 December 2023 and 2024, the Group had no forfeited contributions under its retirement benefit scheme in the PRC which may be used to reduce the existing level of contributions as described in Rule 18.34 of the GEM Listing Rules.

@ Cost of sales and services provided included approximately RMB2,995,000 (2023: RMB2,999,000) for the year ended 31 December 2024 relating to employee costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, which amounts are also included in respective total amounts disclosed above for each of these types of expenses.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities *(note 14(b) and (c))*	**55**	75
Interest on bank borrowings, secured	**179**	293
	234	368

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

	2024	2023
	RMB'000	RMB'000
Directors' fees:		
Independent non-executive directors	**91**	90
Other emoluments:		
Salaries, allowances and benefits in kind	**258**	257
Pension scheme contributions	**23**	9
Subtotal	**281**	266
Total	**372**	356
Supervisors' emoluments:		
Salaries, allowances and other benefits in kind	**92**	97

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors of the Company

The fees paid to independent non-executive directors during the year are as follows:

	2024 RMB'000	2023 RMB'000
Mr. Yang Chun Bao*	**28**	30
Mr. Wang Guo Zhong	**30**	30
Mr. Song Zi Zhang	**30**	30
Ms. Zhu Yi Juan#	**3**	–
Total	**91**	90

* Resigned on 2 December 2024
\# appointed on 2 December 2024

There was no other emolument payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors and supervisors

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2024					
Executive directors of the Company					
Mr. Zhou Jin Hui	**-**	**180**	**-**	**-**	**180**
Mr. Shi Hui Xing	**-**	**-**	**-**	**-**	**-**
Mr. Zhou Guo Ping	**-**	**78**	**-**	**23**	**101**
Subtotal	**-**	**258**	**-**	**23**	**281**
Supervisors of the Company					
Mr. Zhao Da Rong	**-**	**69**	**-**	**23**	**92**
Mr. Qiu Wing Sung	**-**	**-**	**-**	**-**	**-**
Mr. Liu Jin	**-**	**-**	**-**	**-**	**-**
Subtotal	**-**	**69**	**-**	**23**	**92**
Year ended 31 December 2023					
Executive directors of the Company					
Mr. Zhou Jin Hui	–	180	–	–	180
Mr. Shi Hui Xing	–	–	–	–	–
Mr. Zhou Guo Ping	–	77	–	9	86
Subtotal	–	257	–	9	266
Supervisors of the Company					
Mr. Zhao Da Rong	–	66	–	31	97
Mr. Qiu Wing Sung	–	–	–	–	–
Mr. Liu Jin	–	–	–	–	–
Subtotal	–	66	–	31	97

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year do not include any (2023: one) director, details of whose remuneration are set out in note 8 to the consolidated financial statements above. Details of the remuneration for the year of the five (2023: four) highest paid employees who are neither a director nor supervisor of the Company, are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**862**	724
Pension scheme contributions	**138**	14
Total	**1,000**	738

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2024	2023
Nil to RMB1,000,000	**5**	4

10. INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the year ended 31 December 2024 (2023: Nil).

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax ("CIT") rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small-scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the years ended 31 December 2024 and 2023. The CIT of other companies in the Group is calculated at a rate of 25% on the estimated assessable profits for the year ended 31 December 2024 and 2023.

10. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

	2024	2023
	RMB'000	RMB'000
Current — the PRC:		
Charge for the year	**726**	374
Deferred tax *(note 26(b))*	**(1,600)**	1,304
Total tax (credit)/charge for the year	**(874)**	1,678

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2024		2023	
	RMB'000	**%**	RMB'000	%
Profit before tax	**8,994**		13,155	
Tax at statutory tax rate at 25%	**2,250**	**25**	3,288	25
Effect of concessionary tax rates	**(2,431)**	**(27)**	(1,489)	(11)
Tax effect of expenses not deductible	**572**	**6**	470	4
Tax effect of income not taxable	**-**	**-**	(4)	–
Utilisation of tax losses and temporary differences not recognised, net	**(544)**	**(6)**	(1,005)	(8)
Others	**(721)**	**(8)**	418	3
Tax (credit)/charge at the Group's effective tax rate	**(874)**	**(10)**	1,678	13

11. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of RMB4,350,000 (2023: RMB8,521,000) and the number of ordinary shares of 187,430,000 (2023: 187,430,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

12. DIVIDEND

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024:					
Cost	**22,019**	**1,456**	**1,646**	**892**	**26,013**
Accumulated depreciation	**(4,007)**	**(986)**	**(1,213)**	**(777)**	**(6,983)**
Net carrying amount	**18,012**	**470**	**433**	**115**	**19,030**
At 1 January 2024, net of accumulated depreciation	**18,012**	**470**	**433**	**115**	**19,030**
Additions	**-**	**107**	**690**	**-**	**797**
Depreciation provided during the year *(note 6)*	**(910)**	**(76)**	**(254)**	**(30)**	**(1,270)**
At 31 December 2024, net of accumulated depreciation	**17,102**	**501**	**869**	**85**	**18,557**
At 31 December 2024:					
Cost	**22,019**	**1,561**	**2,335**	**893**	**26,808**
Accumulated depreciation	**(4,917)**	**(1,060)**	**(1,466)**	**(808)**	**(8,251)**
Net carrying amount	**17,102**	**501**	**869**	**85**	**18,557**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	22,724	1,163	1,455	892	26,234
Accumulated depreciation	(3,082)	(920)	(1,031)	(743)	(5,776)
Net carrying amount	19,642	243	424	149	20,458
At 1 January 2023, net of accumulated depreciation	19,642	243	424	149	20,458
Additions	–	293	191	–	484
Write-off *(note 6)*	(662)	–	–	–	(662)
Depreciation provided during the year *(note 6)*	(968)	(66)	(182)	(34)	(1,250)
At 31 December 2023, net of accumulated depreciation	18,012	470	433	115	19,030
At 31 December 2023:					
Cost	22,019	1,456	1,646	892	26,013
Accumulated depreciation	(4,007)	(986)	(1,213)	(777)	(6,983)
Net carrying amount	18,012	470	433	115	19,030

Note:

The buildings together with the leasehold land (note 14(a)) are situated in the PRC under medium term leases.

Certain of the buildings with net carrying amount of approximately RMB7,765,000 (2023: RMB8,270,000) have been pledged to a bank to secure the interest-bearing bank borrowings (note 24).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations, including (i) lump sum payments were made upfront to acquire the leasehold land from the owner with lease period of 50 years, and no ongoing payments will be made under the terms of these leasehold land; and (ii) leases of land and buildings with monthly/quarterly/annually rental payment for lease terms between 3 and 20 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Land and properties**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	98	1,117	1,215
Additions	–	993	993
Termination of lease	–	(140)	(140)
Depreciation charge for the year *(note 6)*	(4)	(628)	(632)
As at 31 December 2023 and 1 January 2024	94	1,342	1,436
Additions	–	867	867
Termination of lease	–	(662)	(662)
Depreciation charge for the year *(note 6)*	(3)	(544)	(547)
As at 31 December 2024	91	1,003	1,094

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**1,765**	1,531
New lease	**867**	993
Termination of lease	**(677)**	(219)
Accretion of interest recognised during the year *(note 7)*	**55**	75
Payments	**(519)**	(615)
Carrying amount at 31 December	**1,491**	1,765
Analysed into:		
Current portion	**1,083**	805
Non-current portion	**408**	960
	1,491	1,765

The maturity analysis of the undiscounted lease liabilities is disclosed in note 36 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases in which the Group is a lessee are as follows:

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities *(note 7)*	**55**	75
Depreciation charge of right-of-use assets	**547**	632
Termination of lease	**(15)**	(79)
Total amount recognised in profit or loss	**587**	628

(d) The total cash outflow for leases is disclosed in note 29(b) to the consolidated financial statements.

14. LEASES (CONTINUED)

The Group as a lessor

The Group leases/sub-leases its properties to independent third parties under operating leases arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB7,241,000 (2023: RMB6,999,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 **RMB'000**	2023 RMB'000
Within one year	**7,706**	7,591
After one year but within five years	**32,640**	31,214
After five years	**41,558**	50,120
Total	**81,904**	88,925

15. GOODWILL

	Marine **CGU** RMB'000
At 31 December 2023 and 1 January 2024	
Cost	4,211
Accumulated impairment	–
Net carrying amount	4,211
Cost at 1 January 2024, net of accumulated impairment	4,211
Impairment during the year	(1,891)
Cost and net carrying amount at 31 December 2024	2,320
At 31 December 2024	
Cost	4,211
Accumulated impairment	(1,891)
Net carrying amount	2,320

15. GOODWILL (CONTINUED)

Marine CGU

Goodwill acquired through business combination during 2016 has been allocated to the cash generating unit of the marine fire-fighting equipment segment (the "Marine CGU").

Impairment test of goodwill

The goodwill in connection with the Marine CGU arose from the acquisition of Shanghai An Hang, representing the difference between the Company's consideration transferred and fair value of Shanghai An Hang's identifiable net assets acquired on the completion date (i.e. 1 February 2016).

At 31 December 2024, the Directors conducted an assessment of the recoverable amount of the Marine CGU with reference to a valuation performed by Asset Appraisal Limited (the "Valuer") based on a value in use calculation using cash flow projection on a five-year forecast approved by senior management. The discount rate applied to the cash flow projection is 14.23% (2023: 17.16%). The growth rates used for the five-year period and to extrapolate the cash flows of the business beyond the five-year period is 5% (2023: 5%) and Nil (2023: Nil), respectively. Based on the assessment, in the opinion of the Directors, the estimated recoverable amount of the Marine CGU is RMB5,400,000, which is lower than its corresponding carrying amount and consequently, an impairment loss on goodwill of approximately RMB1,891,000 (2023: Nil) was recognised for the year ended 31 December 2024. After the recognition of the impairment loss, the net carrying amount of goodwill in connection with the Marine CGU was approximately RMB2,320,000 (2023: RMB4,211,000) as at 31 December 2024.

16. INTANGIBLE ASSETS

	Patents and trademarks of aquarium products RMB'000
31 December 2024	
At 1 January 2024	
Cost	**1,800**
Accumulated amortisation	**(1,485)**
Net carrying value	**315**
At 1 January 2024, net of accumulated amortisation	**315**
Amortisation provided for the year *(note 6)*	**(180)**
At 31 December 2024	**135**
At 31 December 2024	
Cost	**1,800**
Accumulated amortisation	**(1,665)**
Net carrying value	**135**

16. INTANGIBLE ASSETS (CONTINUED)

	Patents and trademarks of aquarium products RMB'000
31 December 2023	
At 1 January 2023	
Cost	1,800
Accumulated amortisation	(1,305)
Net carrying value	495
At 1 January 2023, net of accumulated amortisation	495
Amortisation provided for the year *(note 6)*	(180)
At 31 December 2023	315
At 31 December 2023	
Cost	1,800
Accumulated amortisation	(1,485)
Net carrying value	315

Patents and trademarks were acquired by the Group as part of the establishment of a non-wholly owned subsidiary in prior years. They are amortised using the straight-line basis over their estimated useful lives of 10 years.

Impairment test of intangible assets

Intangible assets have been allocated to the cash generating unit of the aquarium products segment (the "Aquarium CGU"). At 31 December 2024, the Directors conducted an assessment of the recoverable amount of the Aquarium CGU with reference to a valuation performed by the Valuer based on a value in use calculation using cash flow projection on a five-year forecast approved by senior management. The discount rate applied to the cash flow projection is 14.87% (2023: 16.98%). The growth rates used for the five-year period and to extrapolate the cash flows of the business beyond the five-year period is 1.3% (2023: ranges from 1.3% to 4.9%) and Nil (2023: Nil), respectively. Based on the assessment, in the opinion of the Directors, the estimated recoverable amount of the Aquarium CGU is higher than its corresponding carrying amount and therefore, no impairment of intangible assets was provided during the year.

17. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**3,992**	4,110
Work in progress	**995**	1,582
Finished goods	**5,021**	3,315
Low cost consumables	**251**	184
Subtotal	**10,259**	9,191
Less: Provision for impairment	**(701)**	(701)
Total	**9,558**	8,490

At 31 December 2024, the Group's inventories with cost of RMB701,000 (2023: RMB701,000) were stated at net realisable value of zero (2023: Nil).

18. TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	RMB'000
Trade receivables	**15,993**	10,505
Less: Allowance for expected credit losses	**(366)**	(274)
Subtotal	**15,627**	10,231
Bills receivables	**-**	–
Total	**15,627**	10,231

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two to three months, extending up to half year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables (net of impairment loss) as at the end of reporting period, based on the invoice date, is as follows:

	2024	2023
	RMB'000	RMB'000
Within 1 month	**7,299**	4,490
1 to 2 months	**2,706**	1,069
2 to 3 months	**2,662**	987
3 to 6 months	**1,872**	2,337
6 to 12 months	**892**	1,211
Over 1 year	**196**	137
	15,627	10,231

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in the allowance for expected credit losses ("ECL") on trade receivables are as follows:

	2024	2023
	RMB'000	RMB'000
At 1 January	**274**	1,684
Provision for/(Reversal of) ECL allowance *(note 6)*	**92**	(1,410)
At 31 December	**366**	274

The increase in allowance for expected credit losses as at 31 December 2024 was mainly due to the overall increase in trade receivables.

The decrease in allowance for expected credit losses as at 31 December 2023 was a result of more trade receivables were fallen into the "neither past due nor impaired category" which has a lower expected credit loss rate.

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, as follows:

31 December 2024

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	More than 1 year past due	Total
Gross carrying amount (RMB'000)	**12,004**	**443**	**2,294**	**722**	**329**	**201**	**15,993**
Expected credit loss rate							**0.01%-77.14%**
Expected credit losses (RMB'000)							**366**

31 December 2023

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	More than 1 year past due	Total
Gross carrying amount (RMB'000)	8,504	722	359	320	450	150	10,505
Expected credit loss rate							0.13%-66.74%
Expected credit losses (RMB'000)							274

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the historical debts recovery rate, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments	**2,300**	621
Trade and other deposits paid	**579**	888
Rental receivables	**1,625**	1,786
Other receivables	**1,486**	1,861
Value added tax	**-**	856
Subtotal	**5,990**	6,012
Less: Deposits and other receivables classified as non-current assets		
— Rental receivables	**(1,625)**	(1,786)
Prepayments, deposits and other receivables classified as current assets	**4,365**	4,226

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, no loss allowance was provided as it was assessed to be minimal.

20. DUE FROM A RELATED COMPANY

31 December 2024	**31 December 2024 RMB'000**	**Maximum amount outstanding during the year RMB'000**	**1 January 2024 RMB'000**
Name			
Related company			
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited", "SLFE")	**698**	**698**	**698**

20. DUE FROM A RELATED COMPANY (CONTINUED)

31 December 2023	**31 December 2023 RMB'000**	Maximum amount outstanding during the year RMB'000	1 January 2023 RMB'000
Name			
Related company			
SLFE	**698**	698	698

Note:

SLFE is controlled by a director of Zhejiang Hengtai. The amount due from a related company is unsecured, interest-free and has no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash at banks	**148,386**	143,385
Cash on hand	**40**	6
	148,426	143,391

The cash and bank balances were denominated in Renminbi ("RMB"), that are not freely convertible into other currencies and were subject to exchange controls in the PRC. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

22. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**1,945**	3,297
1 to 2 months	**1,868**	724
2 to 3 months	**283**	540
Over 3 months	**2,971**	2,864
	7,067	7,425

23. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Accruals	**2,253**	1,782
Rental deposit received	**1,450**	1,450
Other payables	**623**	1,445
Value added tax and other tax payables	**203**	–
	4,529	4,677

24. INTEREST-BEARING BANK BORROWINGS, SECURED

	Effective interest rate	Maturity year	2024 RMB'000	2023 RMB'000
Bank borrowings *(note (a))*	Loan prime rate +0.40%	2026	**5,790**	5,790
Less: Bank borrowings classified as current portion			**-**	–
Bank borrowings classified as non-current portion			**5,790**	5,790
Analysed into:				
Bank borrowings repayable:				
Within one year			**-**	–
In the second year			**5,790**	–
In the third to fifth years, inclusive			**-**	5,790
Over five years			**-**	–
			5,790	5,790

Note (a):

On 12 December 2023, the Group entered into four banking facilities with a state-owned bank ("Bank A") in the PRC, pursuant to which Bank A granted four revolving facilities with aggregate amount of RMB8,276,000 to the Group for 5 years until 11 December 2028. On 15 December 2023, four loans ("Loans A") with aggregate principal amount of RMB5,790,000 were drawn down by the Group for a term of 3 years. The banking facilities are secured by the pledge of four building properties with aggregate carrying amount of approximately RMB7,765,000 (2023: RMB8,270,000) as at 31 December 2024. Loans A bear interest at loan prime rate of the National Interbank Funding Center (全國銀行間同業拆借中心) plus 0.40% per annum and are repayable on 14 December 2026.

25. DUE TO IMMEDIATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS

Amounts due to immediate holding company and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

As at 31 December 2024, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2026 (2023: 30 May 2025). As at 31 December 2024 and 2023, none of the Facility has been drawn down.

26. DEFERRED TAX

(a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of approximately RMB1,009,000 (2023: RMB4,997,000) and other deductible temporary differences of approximately RMB9,930,000 (2023: RMB11,973,000) (including net balances of RMB488,000 (2023: RMB423,000) regarding the temporary differences arising from right-of-use assets and lease liabilities of RMB1,003,000 (2023: RMB1,342,000) and RMB1,491,000 (2023: RMB1,765,000) respectively). The unused tax losses will be expired in five years from the respective dates of incurrence. Deferred tax assets have not been recognised as it is not considered probable that future taxable profits will be available against which the tax losses could be utilised.

(b) Deferred tax (assets)/liabilities

	2024 **RMB'000**	2023 RMB'000
Deferred tax assets	**(21)**	(100)
Deferred tax liabilities	**8,486**	10,165
Net deferred tax liabilities	**8,465**	10,065

26. DEFERRED TAX (CONTINUED)

(b) Deferred tax (assets)/liabilities (Continued)

The movements of deferred tax (assets) and liabilities during the years are as follows:

	Gain on changes in fair value and surrender of the investment properties RMB'000	Other temporary differences RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2023	20,032	(3,485)	(7,786)	8,761
Charge to the consolidated statement of profit or loss during the year:				
Provision for the year *(note 10)*	–	305	999	1,304
	20,032	(3,180)	(6,787)	10,065
At 31 December 2023 and 1 January 2024	**20,032**	**(3,180)**	**(6,787)**	**10,065**
Charge to the consolidated statement of profit or loss during the year:				
Provision for the year *(note 10)*	**-**	**(454)**	**(1,146)**	**(1,600)**
At 31 December 2024	**20,032**	**(3,634)**	**(7,933)**	**8,465**

27. PAID UP CAPITAL

	2024	2023
	RMB'000	RMB'000
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	**13,187**	13,187
55,560,000 overseas listed foreign shares ("H Shares") of RMB0.10 each	**5,556**	5,556
	18,743	18,743

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

Share premium arose from the issuance of shares at prices in excess of their par value.

(ii) Capital reserve

	Waiver of amount due to immediate holding company	**Other reserve**	**Total**
	RMB'000	RMB'000	RMB'000
At 31 December 2023	26,867	18,276	45,143
Addition	–	978	978
At 31 December 2024	**26,867**	**19,254**	**46,121**

28. RESERVES (CONTINUED)

(ii) Capital reserve (Continued)

Other reserve represents the net amount of the following:

(i) A deficit of approximately of RMB1,733,000 arose from the conversion of the Company from a limited liability company into a joint stock limited liability company on 1 December 2000 pursuant to a shareholders' resolution in October 2000. The Company's registered and issued share capital was RMB13,187,000, divided into 131,870,000 Domestic Shares of RMB0.10 each, and was credited as fully paid by capitalising all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

The deficit of approximately RMB1,733,000 represents the excess of the net assets of the Company calculated based on its PRC GAAP financial statements over that calculated based on its consolidated financial statements prepared under IFRS when the conversion took place in 2000. Such excess was resulted from a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Group's consolidated financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

(ii) the credit balance of approximately RMB18,521,000 arose from the acquisition of Anchor and its subsidiaries (the "Anchor Group") from Liancheng (the immediate holding company) which was considered by the Directors as business combination under common control of Liancheng and represents the difference between (i) the consideration paid by the Company to Liancheng and (ii) the net assets of the Anchor Group at the date of 11 April 2011 (being the acquisition date of the Anchor Group by Liancheng).

(iii) the credit balance of approximately RMB2,472,000 being the fair value of the shareholder's contribution by granting a land use right to a subsidiary at nil consideration.

(iv) the deficit of approximately RMB6,000 arose from the Group's acquisition of the remaining equity interest of a subsidiary from the non-controlling interest.

(iii) Statutory reserve fund

According to the PRC regulations and the relevant Articles of Association, each of the Company and its subsidiaries established in the PRC is required to transfer 10% of its respective profit after tax, as determined under the PRC accounting standards and regulations, to statutory reserve fund until the fund reaches 50% of the respective companies' registered capital. The transfer to this reserve must be made before distributing dividends to the respective companies' shareholders.

28. RESERVES (CONTINUED)

(iii) Statutory reserve fund (Continued)

The statutory reserve fund can be used to make up for previous years' losses, if any. It may be converted into share capital by issuing new shares to the respective companies' shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Discretionary common reserve fund

Each of the Company and its subsidiaries established in the PRC may, at its discretion and subject to approval of its respective shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2024

	Due to non-controlling interests RMB'000	Interest-bearing bank borrowings, secured RMB'000	Lease liabilities RMB'000
At 1 January 2024	41	5,790	1,765
Changes from financing cash flows:			
— Principal portion of lease payment	-	-	(464)
— Interest portion of lease payment	-	-	(55)
— Interest paid	-	(179)	-
Termination of lease	-	-	(677)
Inception of new leases	-	-	867
Interest expense	-	179	55
At 31 December 2024	41	5,790	1,491

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Changes in liabilities arising from financing activities (Continued)

2023

	Due to non-controlling interests RMB'000	Interest-bearing bank borrowings, secured RMB'000	Lease liabilities RMB'000
At 1 January 2023	41	6,953	1,531
Changes from financing cash flows:			
— Principal portion of lease payment	–	–	(540)
— Interest portion of lease payment	–	–	(75)
— Interest paid	–	(293)	–
— Repayment of bank borrowings	–	(6,953)	–
— New loans	–	5,790	–
Termination of lease	–	–	(219)
Inception of new leases	–	–	993
Interest expense	–	293	75
At 31 December 2023	41	5,790	1,765

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within financing activities	**519**	615

30. COMMITMENTS

Save as those detailed in note 32(d), the Group did not have any significant commitments as at the end of the reporting period.

31. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at the end of reporting period.

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the year ended 31 December 2024, the Group paid training service fee of approximately RMB5,000 (2023: Nil) for the training service provided by a related company, 上海清大東方職業技能培訓學校有限公司 (literally translated as "Shanghai Qingda Oriental Vocational Skills Training School Co., Ltd"), a company controlled by a director of Zhejiang Hengtai.

For the year ended 31 December 2023, the Group provided inspection service to a related company, 上海石化消防工程有限公司 (literally translated as "Shanghai Petro-Chemical Fire-fighting Engineering Company Limited"), a company controlled by a director of Zhejiang Hengtai, for inspection service income of approximately RMB3,000.

(b) During the year ended 31 December 2024, the Group completed the acquisition (the "J.S.X. Acquisition") of the 5% equity interest of Shanghai J.S.X. International Trading Corporation from a non-controlling interest at a cash consideration of approximately RMB613,000 pursuant to a sales and purchase agreement dated 20 October 2023 entered into between the Group and the non-controlling interest for the period of one year from July 2024 to June 2025 (2023: July 2023 to June 2024).

(c) During the years ended 31 December 2024 and 2023, the substantial shareholder of the Company and a non-controlling interest granted a land use right to a subsidiary of the Company at nil (2023: nil) consideration.

32. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) On 8 December 2024, the Company and 清大東方教育科技集團有限公司 (literally translated as "Qinda Oriental Education Technology Group Co., Ltd.") (the "Vendor"), a connected person of the Company under the GEM Listing Rules, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire (the "Qinda Acquisition") the entire equity interest in 清大東方消防科技集團有限公司 (literally translated as Qingda Oriental Fire Fighting Technology Group Co., Ltd) and its subsidiaries (collectively, the "Target Group") at a consideration of RMB200 million (subject to adjustment). The consideration will be satisfied as to (i) RMB28 million by the allotment and issue of 28,000,000 shares (the "Consideration Shares") of the Company to the Vendor of its nominee(s); (ii) RMB85 million by the issue of a zero coupon convertible bond with a maturity term of 5 years which is convertible into the shares of the Company (the "Conversion Shares") at a conversion price of RMB1 (subject to adjustment) per share; and (iii) RMB87 million by cash. The completion of the Qinda Acquisition is subject to, among the other things, (i) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares and such permission has not been withdrawn; and (ii) the passing of ordinary resolutions by the independent shareholders of the Company at the extraordinary general meeting approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and such resolutions have not been withdrawn. The Qinda Acquisition has not been completed as at the end of the reporting period and up to the date of this report.

(e) Compensation of key management personnel of the Group during the period was as follows:

	2024	2023
	RMB'000	RMB'000
Fees:		
Independent non-executive directors	**91**	90
Other emoluments:		
Salaries, allowances and benefits in kind	**258**	257
Pension scheme contributions	**23**	9
Subtotal	**281**	266
Total	**372**	356

Except for those stated above and transactions and balances detailed elsewhere in this report the Group had no material transactions with related parties during the year.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2024	2023
Percentage of equity interest held by non-controlling interests:		
Special Cylinder	**41%**	41%
Shanghai Ogino	**56%**	56%
Ningbo Ogino	**56%**	56%
Percentage of profit sharing held by non-controlling interests:		
Special Cylinder	**46%**	46%
Shanghai Ogino	**56%**	56%
Ningbo Ogino	**56%**	56%

	2024 RMB'000	2023 RMB'000
Profit for the year allocated to non-controlling interests:		
Special Cylinder	**2,007**	1,053
Shanghai Ogino	**1,389**	876
Ningbo Ogino	**1,874**	663
Capital reserve allocated to non-controlling interests:		
Special Cylinder	**856**	846
Accumulated balances of non-controlling interests at the end of the reporting date:		
Special Cylinder	**4,702**	1,839
Shanghai Ogino	**11,668**	10,279
Ningbo Ogino	**5,862**	3,988

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summaries of financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Special Cylinder RMB'000	Shanghai Ogino RMB'000	Ningbo Ogino RMB'000
Year ended 31 December 2024			
Revenue	**5,923**	**27,676**	**34,372**
Other income	**564**	**167**	**5**
Total expenses	**(2,174)**	**(25,358)**	**(31,023)**
Profit for the year	**4,313**	**2,485**	**3,354**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**4,313**	**2,485**	**3,354**
Non-current assets	**11,121**	**2,039**	**12,108**
Current assets	**33,040**	**21,551**	**8,281**
Current liabilities	**(2,589)**	**(2,747)**	**(3,111)**
Non-current liabilities	**-**	**-**	**(5,803)**
Net assets	**41,572**	**20,843**	**11,475**
Net cash flows from operating activities	**2,934**	**2,837**	**1,461**
Net cash flows from/(used in) investing activities	**564**	**5**	**(790)**
Net cash flows used in financing activities	**-**	**(179)**	**-**
Net increase in cash and cash equivalents	**3,498**	**2,663**	**671**

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	Special Cylinder RMB'000	Shanghai Ogino RMB'000	Ningbo Ogino RMB'000
Year ended 31 December 2023			
Revenue	5,647	22,099	24,133
Other income	507	141	23
Total expenses	(3,866)	(20,675)	(22,973)
Profit for the year	2,288	1,565	1,183
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	2,288	1,565	1,183
Non-current assets	10,561	1,524	12,866
Current assets	27,301	18,793	2,258
Current liabilities	(2,443)	(1,961)	(1,467)
Non-current liabilities	–	–	(5,536)
Net assets	35,419	18,356	8,121
Net cash flows from/(used in) operating activities	6,783	5,836	(257)
Net cash flows from/(used in) investing activities	411	(263)	–
Net cash flows used in financing activities	(219)	–	(1,163)
Net increase/(decrease) in cash and cash equivalents	6,975	5,573	(1,420)

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2024	2023
	RMB'000	RMB'000
Trade and bills receivables	**15,627**	10,231
Financial assets included in prepayments, deposits and other receivables	**3,690**	4,535
Due from a related company	**698**	698
Cash and cash equivalents	**148,426**	143,391
	168,441	158,855

Financial liabilities

	Financial liabilities at amortised cost	
	2024	2023
	RMB'000	RMB'000
Trade payables	**7,067**	7,425
Financial liabilities included in other payables and accruals	**4,529**	4,677
Due to immediate holding company	**906**	906
Due to non-controlling interests	**41**	41
Interest-bearing bank borrowings, secured	**5,790**	5,790
Lease liabilities	**1,491**	1,765
	19,824	20,604

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2024 and 2023.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from a related company, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, secured, amounts due to immediate holding company and non-controlling interests which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

As at 31 December 2024 and 2023, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowing with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before (or after) tax (through the impact on floating rate Interest-bearing bank borrowing) and the Group's equity.

As at 31 December 2024, if interest rates on interest-bearing bank borrowings had been increased/decreased by 1%, with all other variables held constant, the Group's profit before tax for the year would have been decreased/increased by approximately RMB57,900 and RMB57,900, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in cash flow interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the Group's floating rate borrowing in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arise. Approximately 25% (2023: 28%) of the Group's sales for the year were denominated in currencies other than the functional currency of the entities of the Group.

The Group did not have significant foreign currency risk arising from recognised financial assets and liabilities since almost all of them are denominated in Renminbi as at the end of the reporting periods.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Maximum exposure and year-end staging

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	-	-	-	15,993	15,993
Financial assets included in prepayments, deposits and other receivables					
— Normal**	3,690	-	-	-	3,690
Due from a related company					
— Normal**	698	-	-	-	698
Cash and cash equivalents					
— Not yet past due	148,426	-	-	-	148,426
	152,814	-	-	15,993	168,807

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	10,505	10,505
Financial assets included in prepayments, deposits and other receivables					
— Normal**	4,535	–	–	–	4,535
Due from a related company					
— Normal**	698	–	–	–	698
Cash and cash equivalents					
— Not yet past due	143,391	–	–	–	143,391
	148,624	–	–	10,505	159,129

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and amounts due from a related company are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables and amounts due from a related company, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality and state-owned banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and other borrowings.

As at 31 December 2024, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2026 (2023: 30 May 2025). As at 31 December 2024 and 2023, none of the Facility has been drawn down.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

31 December 2024

	On demand or no fixed repayment terms RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**4,264**	**2,803**	**–**	**–**	**7,067**
Other payables and accruals	**4,529**	**–**	**–**	**–**	**4,529**
Lease liabilities (undiscounted)	**350**	**589**	**549**	**70**	**1,558**
Due to immediate holding company	**906**	**–**	**–**	**–**	**906**
Due to non-controlling interests	**41**	**–**	**–**	**–**	**41**
Interest-bearing bank borrowings secured	**–**	**–**	**5,790**	**–**	**5,790**
	10,090	**3,392**	**6,339**	**70**	**19,891**

31 December 2023

	On demand or no fixed repayment terms RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	3,625	3,800	–	–	7,425
Other payables and accruals	4,677	–	–	–	4,677
Lease liabilities (undiscounted)	333	552	887	133	1,905
Due to immediate holding company	906	–	–	–	906
Due to non-controlling interests	41	–	–	–	41
Interest-bearing bank borrowings secured	–	–	5,790	–	5,790
	9,582	4,352	6,677	133	20,744

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is net cash divided by the total capital plus net cash. Net cash includes cash and cash equivalents less trade payables, other payables and accruals, lease liabilities, amounts due to immediate holding company and non-controlling interests and interest-bearing bank borrowings, secured. Capital includes equity attributable to owners of the Group. The gearing ratios as at the end of reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Trade payables	**7,067**	7,425
Other payables and accruals	**4,529**	4,677
Lease liabilities	**1,491**	1,765
Due to immediate holding company	**906**	906
Due to non-controlling interests	**41**	41
Interest-bearing bank borrowings, secured	**5,790**	5,790
Less: Cash and cash equivalents	**(148,426)**	(143,391)
Net cash	**(128,602)**	(122,787)
Equity attributable to owners of the Company	**150,540**	145,212
Capital plus net cash	**21,938**	22,425
Gearing ratio	**N/A**	N/A

37. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material events subsequent to the end of the reporting period.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**5,299**	5,480
Right-of-use assets	**586**	755
Investment in subsidiaries	**12,358**	12,358
Total non-current assets	**18,243**	18,593
CURRENT ASSETS		
Inventories	**563**	775
Trade and bills receivables	**484**	1,216
Prepayments, deposits and other receivables	**2,976**	731
Due from a related company	**698**	698
Due from subsidiaries	**10,678**	12,032
Cash and cash equivalents	**74,738**	77,883
Total current assets	**90,137**	93,335
CURRENT LIABILITIES		
Trade payables	**528**	550
Other payables and accruals	**1,208**	1,223
Lease liabilities	**506**	335
Due to the immediate holding company	**906**	906
Total current liabilities	**3,148**	3,014
NET CURRENT ASSETS	**86,989**	90,321
TOTAL ASSETS LESS CURRENT LIABILITIES	**105,232**	108,914

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2024	2023
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**8,413**	9,638
Lease liabilities	**-**	342
Total non-current liabilities	**8,413**	9,980
Net assets	**96,819**	98,934
EQUITY		
Share capital	**18,743**	18,743
Reserves	**78,076**	80,191
Total equity	**96,819**	98,934

Approved and authorised for issue by the board of directors on 3 March 2025.

Zhou Jin Hui
Director

Shi Hui Xing
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000 *note 28(i)*	**Capital reserve** RMB'000 *note 28(ii)*	**Statutory reserve funds** RMB'000 *note 28(iii)*	**Discretionary common reserve fund** RMB'000 *note 28(iv)*	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2023	10,910	25,134	6,416	1,500	33,962	77,922
Profit for the year and total comprehensive income for the year	–	–	–	–	2,269	2,269
Transfer to statuary reserve fund	–	–	227	–	(227)	–
At 31 December 2023	10,910	25,134	6,643	1,500	36,004	80,191
At 1 January 2024	**10,910**	**25,134**	**6,643**	**1,500**	**36,004**	**80,191**
Loss for the year and total comprehensive income for the year	**-**	**-**	**-**	**-**	**(2,115)**	**(2,115)**
At 31 December 2024	**10,910**	**25,134**	**6,643**	**1,500**	**33,889**	**78,076**

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 3 March 2025.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out below.

	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**84,460**	74,137	62,198	72,830	72,517
Cost of sales	**(59,392)**	(52,587)	(45,289)	(49,472)	(52,059)
Gross profit	**25,068**	21,550	16,909	23,358	20,458
Other income and gains	**4,279**	4,950	4,327	66,399	2,879
Selling and distribution expenses	**(3,581)**	(3,096)	(3,301)	(2,511)	(1,753)
Administrative expenses	**(14,555)**	(11,291)	(10,350)	(14,678)	(15,037)
Impairment of goodwill	**(1,891)**	–	–	–	–
(Provision for)/Reversal of ECL allowance on trade receivables, net	**(92)**	1,410	449	583	(2,739)
Finance costs	**(234)**	(368)	(426)	(474)	(160)
PROFIT BEFORE TAX	**8,994**	13,155	7,608	72,677	3,648
Income tax credit/(expenses)	**874**	(1,678)	1,558	(6,036)	(976)
PROFIT FOR THE YEAR	**9,868**	11,477	9,166	66,641	2,672
Attributable to:					
Owners of the Company	**4,350**	8,521	5,586	59,750	(1,403)
Non-controlling interests	**5,518**	2,956	3,580	6,891	4,075
	9,868	11,477	9,166	66,641	2,672
ASSETS AND LIABILITIES					
TOTAL ASSETS	**202,426**	193,914	181,349	171,895	109,355
TOTAL LIABILITIES	**(28,483)**	(30,890)	(31,242)	(31,874)	(35,975)
NON-CONTROLLING INTERESTS	**(23,403)**	(17,812)	(14,410)	(10,404)	(3,513)
	150,540	145,212	135,697	129,617	69,867

This summary does not form part of the audited consolidated financial statements.