# China Golden Classic Group Limited
# 中國金典集團有限公司

( Incorporated in the Cayman Islands with limited liability )

Stock Code: 8281


# Annual Report 2024

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# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Li Qiuyan *(Chairman)*
Mr. Tong Xing *(Chief Executive Officer)*
Ms. Du Yongwei

### Independent Non-executive Directors

Mr. Ye Jingzhong
Mr. Pan Qingwei
Mr. Tang Wai Yau

## AUDIT COMMITTEE

Mr. Tang Wai Yau *(Chairman)*
Mr. Ye Jingzhong
Mr. Pan Qingwei

## REMUNERATION COMMITTEE

Mr. Ye Jingzhong *(Chairman)*
Mr. Pan Qingwei
Ms. Li Qiuyan

## NOMINATION COMMITTEE

Ms. Li Qiuyan *(Chairman)*
Mr. Ye Jingzhong
Mr. Pan Qingwei

## AUTHORISED REPRESENTATIVES

Ms. Du Yongwei
Mr. Xiang Dongliang

## COMPLIANCE OFFICER

Ms. Li Qiuyan

## COMPANY SECRETARY

Mr. Xiang Dongliang

## REGISTERED PIE AUDITOR

SHINEWING (HK) CPA Limited

## LEGAL ADVISER

Seyfarth Shaw
*as to Hong Kong Law*

## PRINCIPAL BANK

Jiangyin Rural Commercial Bank Co., Limited
Qiaoqi Sub-branch

## REGISTERED OFFICE

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

## HEAD OFFICE IN THE PRC

No. 34, 35 Yingbin Road
Xiake Town, Jiangyin City
Jiangsu Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B, 19/F, Times Media Centre
133 Wan Chai Road
Wan Chai
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## COMPANY WEBSITE

www.goldenclassicbio.com

## STOCK CODE

8281

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Golden Classic Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2024 (the "Year").

## BUSINESS REVIEW

Even though the Year was full of challenges for the Group, the management team remains dedicated to creating value for the shareholders of the Company. The turnover of the Group decreased by approximately 10.5% from approximately RMB292.0 million for the financial year ended 31 December 2023 (the "Last Corresponding Period") to approximately RMB261.3 million for the Year. The gross profit margin decreased by approximately 3.3% from approximately 37.5% for the Last Corresponding Period to approximately 34.2% for the Year.

The Group generated approximately RMB3.0 million in profit, representing a decrease by approximately 57.7% compared to the Last Corresponding Period. Net profit margin for the Year was approximately 1.1%, representing a decrease by approximately 1.3% as compared to the Last Corresponding Period (2023: approximately 2.4%).

In the Year, the Group had taken all necessary actions to promote its products. The turnover of our household hygiene products increased by approximately 5.4% from approximately RMB173.1 million for the Last Corresponding Period to approximately RMB182.4 million for the Year. The directors are optimistic about the future sales prospects of the household hygiene products in the future since more products will be put on the market.

Details of the revenues generated from our household hygiene products are summarized as follows:

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | **2024** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| Revenue | 129,950 | 151,485 | 142,613 | 173,087 | **182,373** |

During the Year, the Group attained commendable achievements on corporate governance front.

| **Qualification/certification** | **Granting organisation or authority** |
|---|---|
| First Prize of Patent Achievements* (專利成果一等獎) | China National Light Industry Council* (中國輕工業聯合會) |
| High-tech Enterprises in Jiangsu Province* (江蘇省高新技術企業) | Jiangsu Provincial Department of Science and Technology* and other governmental department (江蘇省科技廳及其他官方機構) |
| Five Star Enterprise Cloud of Jiangsu* (江蘇省上雲五星級企業) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |

The Directors believe that this will contribute positively to strengthening competitiveness of the Group.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (for the year ended 31 December 2023: RMB0.38 cents per share).

## OUTLOOK

In the context of the Company, 2025 is a year replete with promise. Firstly, the Company will further elevate the automation of its existing oil stain cleaner products to accommodate the progressively increasing market demand. Secondly, the Company will successively introduce a series of high-end oil stain cleaner products, targeting the diverse needs of various market segments. Thirdly, the fully automated production line for toilet bowl cleaner, which represents the advanced level within the industry and has been invested in and constructed by the Company, will be put into operation. Capitalizing on the extensive market network of oil stain cleaners and the positive consumer reputation, the Company is poised to aggressively expand its kitchen and bathroom product line. In addition, the Company will further enhance its research and development efforts for household cleaning products, applying the reserved carbon dot surfactant technology more extensively to its products, so as to provide consumers with better home care products. It is worth noting that the renovated cosmetics workshop of the Company is also expected to be put into use in 2025. The new workshop will provide more OEM products for OEM customers.

In the upcoming year, the Company's development is also confronted with numerous challenges. Firstly, the Company's exclusive core technology, FE compound enzyme, involves a product filing workload that vastly exceeds that of other enterprises within the oral care industry. Secondly, being a pioneer in bio-efficacy toothpaste, clinical trials have demonstrated that our toothpaste exhibits beneficial effects on one or more oral health issues. However, the restriction on the use of medical terms has, to a certain extent, circumscribed the promotional efficacy of the Company's products. Against this backdrop, the Directors will further expedite the technological iteration of products. By leveraging the product's strong efficacy and appealing fragrance profiles that cater to consumers' oral tastes, and by means of marketing approaches such as live-streaming and expert-led promotion, the Company will spare no effort to revive the sales performance of its oral care products.

## APPRECIATION

Finally, I would like to extend, on behalf of the Company, my heartfelt gratitude to the shareholders, members of the Board, management, staff, customers and business partners of the Group for their continuing support and confidence in the Company.

**Ms. Li Qiuyan**
*Chairman and Executive Director*
Hong Kong, 26 March 2025

* *English names are translated for identification purpose only*

# Management Discussion and Analysis

## BUSINESS REVIEW

During the Year and up to the date of this report, the Group had been principally engaged in the manufacturing and trading of oral care, household hygiene and leather care products in China and overseas.

For the Year, the Group recorded a turnover of approximately RMB261.3 million, representing a decrease by approximately 10.5% as compared to the Last Corresponding Period (2023: approximately RMB292.0 million) . The net profit for the Year was approximately RMB3.0 million, representing a decrease by approximately 57.7% as compared to the Last Corresponding Period (2023: approximately RMB7.1 million). Net profit margin for the Year was approximately 1.1%, representing a decrease by approximately 1.3% as compared to the Last Corresponding Period (2023: approximately 2.4%).

The decrease in profit for the Year was mainly attributable to the decreased sales of oral care products whose profit margin is higher than the other segments products.

## FINANCIAL REVIEW

### Turnover

Turnover of the Group decreased by approximately 10.5% from approximately RMB292.0 million for the Last Corresponding Period to approximately RMB261.3 million for the Year. The decrease in the Group's total turnover was mainly attributable to the decrease of oral care products. The turnover from oral care products segment decreased by approximately RMB36.0 million or 35.7% from approximately RMB101.1 million for Last Corresponding Period to approximately RMB65.0 million for the Year. Such decrease was mainly due to the following reasons:

(1) the necessary adjustments made to the labelling process of complying with relevant under the Administrative Measures on Cosmetics Labelling* (《化妝品標籤管理辦法》) affect the repurchase rate of old customers;

(2) insufficient number of new products; and

(3) due to the decrease in passenger flow at offline stores, the Company has strategically decided to cease sales in some regional chain stores.

Turnover from household hygiene products segment recorded an increase of approximately RMB9.3 million or approximately 5.4% from approximately RMB173.1 million for the Last Corresponding Period to approximately RMB182.4 million for the Year. Such increase was mainly due to the sustained promotion for household hygiene products. The Directors are optimistic about the turnover from household hygiene products segment since the Group's kitchen degreaser products have become one of the most popular products in the Northwestern part of China.

The turnover from our leather care products segment decreased by approximately RMB4.0 million or 22.1%, from approximately RMB17.9 million for the Last Corresponding Period to approximately RMB13.9 million for the Year. Such decrease was mainly due to the decreased promotion efforts on leather care products.

Details of the segment revenue, cost and profit for the Year and the Last Corresponding Period are summarised as follows:

| | For the year ended 31 December 2024 | | | | For the year ended 31 December 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Oral care products RMB'000 | Leather care products RMB'000 | Household hygiene products RMB'000 | Total RMB'000 | Oral care products RMB000 | Leather care products RMB'000 | Household hygiene products RMB'000 | Total RMB'000 |
| Segment revenue | 65,015 | 13,909 | 182,373 | 261,297 | 101,058 | 17,864 | 173,087 | 292,009 |
| Segment cost | 40,675 | 9,541 | 121,595 | 171,811 | 63,524 | 11,738 | 107,191 | 182,453 |
| Segment profit | 24,340 | 4,368 | 60,778 | 89,486 | 37,534 | 6,126 | 65,896 | 109,556 |
| Unallocated income | | | | 4,656 | | | | 4,991 |
| Unallocated expense | | | | (90,952) | | | | (106,419) |
| Finance cost | | | | (181) | | | | (478) |
| Profit before tax | | | | 3,009 | | | | 7,650 |

## Cost of sales

Cost of sales decreased from approximately RMB182.5 million for the Last Corresponding Period to approximately RMB171.8 million for the Year, representing a decrease of approximately 5.9%. The change was mainly due to the decreased quantity of the Group's products.

## Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 18.3% from approximately RMB109.6 million for the Last Corresponding Period to approximately RMB89.5 million for the Year. The decrease was mainly attributable to the decreased sales of oral care products whose gross profit is higher than the other segments products.

In addition, our gross profit margin decreased by approximately 3.3% from approximately 37.5% for the Last Corresponding Period to approximately 34.2% for the Year.

## Selling and distribution costs

Selling and distribution costs decreased by approximately RMB11.1 million or 22.2% from approximately RMB49.8 million for the Last Corresponding Period to approximately RMB38.8 million for the Year. The decrease was mainly attributable to the reduction in advertising and promotion expenses, transportation fees, and business employees' salaries this year.

### Administrative expenses

Administrative expenses incurred for the Year was approximately RMB52.2 million, representing a decrease of approximately RMB4.4 million or approximately 7.8%, as compared to approximately RMB56.6 million for Last Corresponding Period. The main reason for the decrease was driven by the the reduction in R&D expenses and expenditure on factory building repair.

### Finance costs

Finance costs incurred for the Year, which mainly represent interest expenses, was approximately RMB0.2 million. It decreased by approximately RMB0.3 million as compared to approximately RMB0.5 million in the Last Corresponding Period, representing a decrease of approximately 62.1%. The decrease was mainly attributable to the reduction of loan interest rates and the growth of the interest for US dollar fixed-term deposits.

### Income tax expenses

Income tax expenses incurred for the Year were, approximately RMB0.04 million, representing a decrease by approximately RMB0.55 million as compared to RMB0.59 million for the Last Corresponding Period, or a decrease of approximately 93.2%. The reason for this decrease is due to the lower profit in the Year as compared to the Corresponding Period.

### Profit for the Year

As a result of the foregoing, our net profit for the Year was approximately RMB3.0 million, which represents a decrease by approximately 57.7% as compared with the profit of approximately RMB7.1 million for the Last Corresponding Period. Net profit margin was approximately 1.1%, representing a decrease by approximately 1.3% as compared to the Last Corresponding Period (2023: approximately 2.4%).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The capital of the Group only comprises of ordinary shares and there was no change in the capital structure of the Group during the Year.

The total shareholders' equity of the Group as at 31 December 2024 was approximately RMB262.3 million (31 December 2023: approximately RMB263.7 million). The Group had current assets of approximately RMB176.4 million (31 December 2023: approximately RMB178.7 million) and current liabilities of approximately RMB70.9 million (31 December 2023: approximately RMB84.9 million). The current ratio was approximately 2.49 and 2.11 as at 31 December 2024 and 2023 respectively.

During the Year, the Group generally financed its operations with internally generated cash flow and credit facilities provided by its principal banker in China. As at 31 December 2024, the Group had outstanding bank borrowings of approximately RMB5.0 million (31 December 2023: approximately RMB5.0 million). These bank loans were secured by certain buildings, prepaid lease payments, intangible asset and right-of-use assets owned by the Group. As at 31 December 2024, the Group maintained bank balances and cash of approximately RMB82.1 million (31 December 2023: approximately RMB77.9 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was approximately 0.29 and 0.28 as at 31 December 2024 and 2023, respectively.

The Directors believe that with the current capital and the available banking facilities, the Group possesses sufficient cash to meet its commitments and working capital requirements.

## CAPITAL COMMITMENT

The Group had approximately RMB2.9 million of capital commitments as at 31 December 2024 (31 December 2023: approximately RMB2.3 million). The capital commitments mainly arose from the increase in contracts for unpaid equipment and construction in progress.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 30 June 2016 (the "Prospectus") and this report, the Group did not have other plans for material investments and capital assets as at 31 December 2024.

## GEARING RATIO

As at 31 December 2024, the Group's gearing ratio was approximately 27.8% (31 December 2023: approximately 32.2%), based on total debt of approximately RMB72.8 million and total equity of approximately RMB262.3 million. The decrease is mainly attributable to the decrease in liabilities.

*Note:* Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank and other borrowings.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There have been no significant investments, material acquisitions or disposals of subsidiaries, associates or affiliated companies of the Group for the Year.

## CONTINGENT LIABILITIES

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

## FOREIGN EXCHANGE EXPOSURE

Most of the sales and cost of production of the Group are settled in Renminbi ("RMB"). There are only limited sales and administrative expenses denominated in United Stated Dollars ("US$") and Hong Kong Dollars ("HK$"). Therefore, the Group was not exposed to material foreign exchange risks. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of approximately 272 employees (2023: 263). The Group's staff cost for the Year amounted to approximately RMB29.1 million (2023: approximately RMB32.8 million). The decrease was mainly due to the reduction of sales commission. The Group's remuneration policies are inline with the prevailing market practice and are determined on the basis of performance, qualification and experience of the individual employee. The Group recognises the importance of maintaining a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In the PRC, the Group's employees have participated in various security insurance schemes including social insurance prescribed by the Social Insurance Law of PRC* (中華人民共和國社會保險法) and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund* (住房公積金管理條例).

## SUBSEQUENT EVENT

On 22 January 2025, Jiangsu Snow Leopard, being an indirect wholly-owned subsidiary of the Company, and Shanghai Fumeizi entered into a lease agreement (the "New Lease Agreement"), pursuant to which Shanghai Fumeizi has agreed to lease to Jiangsu Snow Leopard a property situated in Songjiang District, Shanghai, the PRC, with a total saleable area of approximately 2,908.27 square metres (the "Property") for a fixed term of two (2) years commencing from 1 February 2025 to 31 January 2027 (both days inclusive). The rent for the New Lease Agreement is RMB470,000 per quarter (exclusive of utilities charges and management fee). For details, please refer to the announcement of the Company dated 22 January 2025.

Save as disclosed above, since the end of the Year and up to the date of this report, there was no material event or change in the operation or financial conditions of the Group.

## RETIREMENT BENEFITS PLANS

Pursuant to the applicable PRC laws and regulations, the Group contributes to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Foreign exchange risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and cash flows. Since the Group's sales and productions are primarily in China, the Group is not expected to incur a significant amount of sales, assets and liabilities denominated in a currency other than RMB. However, certain administrative expenses related to legal and professional fees are denominated in HK$. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which the Group's assets and liabilities is denominated. A depreciation of the RMB would require the Group to use more RMB funds to settle the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date. The Group neither has a formal foreign currency hedging policy nor engages in hedging activities designed or intended to manage such exchange rate risk during the Year. Since RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

### Credit risk

The Group is exposed to credit risk primarily arising from trade receivables, other receivables, advances to employees and independent third parties loans to employees and bank balances. Trade receivables are substantially from customers with good collection track records with the Group. For trade receivables, the Group delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and to mitigate credit risks. No reversal on impairment loss on trade receivables under the expected credit loss model ("ECL") for both Years. The remaining amounts are still considered recoverable because there were subsequent settlements or no historical default of payments by the respective customers.

The Group is also subject to concentration of credit risk arising from its trade receivables as approximately 22% (2023: approximately 12%) and approximately 38% (2023: approximately 26%) of these receivables are due from the Group's largest customer and the top five customers respectively for the year ended 31 December 2024.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on the Group's consolidated statements of financial position.

### Liquidity risk

The Group's financial liabilities of approximately RMB38.6 million are all falling due within the next 12 months from the end of the Year. As at 31 December 2024, the Group had net current assets and net assets of approximately RMB105.4 million and RMB262.3 million, respectively. As a result, the Group is not exposed to liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet the Group's normal operating and capital commitments.

### Interest rate risk

The Group's interest rate risk relates primarily to the Group's bank balances as well as bank borrowings. The Group currently has not entered into any interest rate swaps to hedge against the Group's exposure to changes in fair values of the Group's borrowings. It is the Group's policy to maintain an appropriate level between the Group's borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations. The Group currently does not use any derivative instruments to manage the Group's interest rate risk. To the extent the Group decides to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programs related to noise control and waste discharge management, including waste water, solid waste and gases. The Group has sought to optimise the production procedure by adopting low energy consumption and pollution control techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of our employees through regular training. To ensure compliance with applicable regulations, the Group has dedicated staff responsible for supervising and monitoring compliance with statutory regulations and the internal standards relating to environmental protection. Ms. Li Qiuyan, the chairman and executive Director of the Company, has the overall responsibility for environmental protection matters within the Group. The Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC during the Year. For further details, please refer to the Environmental, Social and Governance Report.

## CONNECTED TRANSACTIONS

On 25 November 2022, Jiangsu Snow Leopard Daily Chemical Co., Limited* (江蘇雪豹日化有限公司) ("Jiangsu Snow Leopard"), being an indirect wholly-owned subsidiary of the Company, and Shanghai Fumeizi Biotechnology Co., Limited* (上海復美姿生物科技有限公司) ("Shanghai Fumeizi") entered into lease agreement (the "Lease Agreement"), pursuant to which Shanghai Fumeizi has agreed to lease to Jiangsu Snow Leopard the Property, for a fixed term of two years commencing from 1 December 2022 to 30 November 2024 (both days inclusive). Pursuant to the Lease Agreement, the quarterly rent shall be RMB480,000 (exclusive of utilities charges and management fee), and the Property shall be for office use, research and development, e-commerce and warehousing.

As at the date of the Lease Agreement, Shanghai Fumeizi is wholly-owned by Mr. Tong Huaizhou, who is the son of Ms. Li Qiuyan (being an executive Director and the chairman of the Company), a family member of Mr. Tong Xing (being an executive Director and the chief executive of the Company) and a relative of Ms. Du Yongwei (being an executive Director). Accordingly, Shanghai Fumeizi is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 25 November 2022.

During the Year, since the expiry of the Lease Agreement, Jiangsu Snow Leopard and Shanghai Fumeizi also entered into a lease agreement dated 1 December 2024 in relation to the Property for a term of two (2) months from 1 December 2024 to 31 January 2025 (both days inclusive) and the rent for the lease agreement amounted to RMB320,000.

During the Year, save as disclosed above, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. Details of significant related party transactions undertaken in the usual course of business for the Year are set out in note 30 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitute a connected transaction under the GEM Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group has maintained a good relationship with suppliers and customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers. Firstly, comprehensive training was provided to employees to enhance their abilities to cope with customers. Secondly, the production and defective rate of our products were strictly controlled to ensure product quality and prevent product shortages. Thirdly, we encouraged our customers to participate in designing new products. We have maintained years of cooperation with our major suppliers as we strive to grow with our suppliers.

* *English names are translated for identification purpose only*

# Biographies of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Ms. Li Qiuyan (李秋雁)** ("Ms. Li"), aged 64, is the chairman and a controlling Shareholder (as defined under the GEM Listing Rules) of our Company. Ms. Li was first appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. She was also appointed as the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board on 25 May 2021. She is responsible for the overall management and formulation of business strategy of our Group. Ms. Li is the step-mother of Mr. Tong Xing, our executive Director and the chief executive officer of our Company. She is also the cousin of Ms. Du Yongwei, our executive Director.

Ms. Li was accredited as a senior economist by Jiangsu Province Human Resources and Social Protection Agency* (江蘇省人力資源和社會保障廳) in October 2012. She passed the Jiangyin City Advanced Enterprise Capital Management Training Course and Jiangsu Province Small and Medium-sized Enterprises Advanced Business Administration Training Course held by Nanjing University (南京大學) in the PRC in September 2011 and September 2012, respectively.

Ms. Li joined our Group in October 1992. She was the deputy head of factory of the school-run factory of Jiangyin Province Center Primary School* (江陰縣要塞中心小學校辦廠) (the "School-run Factory"), the predecessor of Jiangsu Snow Leopard Household Chemical Co. Limited ("Jiangsu Snow Leopard"), from 1992 to August 1994. She was a deputy general manager of the School-run Factory and Jiangsu Snow Leopard from September 1994 to March 2002, and from April 2002 to October 2010, respectively. Ms. Li was the general manager of Jiangsu Snow Leopard from November 2010 to March 2012, and she has been the chairman of the board of directors of Jiangsu Snow Leopard since November 2010.

**Mr. Tong Xing (童星)** ("Mr. Tong"), aged 49, was appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. Mr. Tong is also the chief executive officer and a substantial Shareholder (as defined under the GEM Listing Rules) of our Company. He is primarily responsible for the overall management and operation of our Group. Mr. Tong is the step-son of Ms. Li, an executive Director and the chairman of our Company.

Mr. Tong was accredited as a senior economist by the Jiangsu Province Human Resources and Social Protection Agency* (江蘇省人力資源和社會保障廳) in August 2014. He completed an advanced MBA seminar provided by Tongji University (同濟大學) in the PRC in July 2003. In June 2019, Mr. Tong was also accredited as Jiangsu Engineering Technology Entrepreneur* (江蘇省科技企業家) by the Organization Department of CPC Jiangsu Committee (中共江蘇省委組織部). In January 2024, Mr Tong was also accredited as outstanding member by Wuxi Municipal Committee of Chinese people's Political Consultative Conference (無錫市政治協商委員會).

Mr. Tong joined our Group in April 1994. He worked at the School-run Factory, the predecessor of Jiangsu Snow Leopard, as a deputy business manager of the marketing department from April 1994 to August 1994, and was promoted to the position of business manager during the period between September 1994 and March 2002. From April 2002 to October 2010, Mr. Tong was the head of the marketing department of Jiangsu Snow Leopard. Mr. Tong was the vice chairman of the board of directors and deputy general manager of Jiangsu Snow Leopard from November 2011 to March 2012. He has been the general manager of Jiangsu Snow Leopard since April 2012.

**Ms. Du Yongwei (杜永衛), also known as Ms. Du Yongwei (杜咏衛)** ("Ms. Du"), aged 54, was appointed as a director of our Company on 29 July 2015, and was redesignated as our executive Director on 17 June 2016. Ms. Du is also the authorised representative of the Company. She is primarily responsible for the overall financial and operation of our Group. Ms. Du is the cousin of Ms. Li, an executive Director and the chairman of our Company.

Ms. Du was accredited as a senior economist by the Jiangsu Province Human Resources and Social Protection Agency* (江蘇省人力資源和社會保障廳) in October 2015. In December 2011, Ms. Du was also accredited as a brand manager by China General Chamber of Commerce (中國商業聯合會). In April 2021, Ms. Du was also elected as Wuxi Model Worker by Wuxi Municipal Government* (無錫市市政府).

From October 1992 to March 1994, Ms. Du worked as an accountant at the School-run Factory, the predecessor of Jiangsu Snow Leopard. Ms. Du was the deputy administrative officer of the School-run Factory from April 1994 to March 2002. She was the administrative officer of Jiangsu Snow Leopard between April 2002 and March 2012, and was also a director of Jiangsu Snow Leopard from November 2010 to March 2012. Ms. Du has been the deputy general manager of Jiangsu Snow Leopard since April 2012.

Ms. Du is also a director of Shanghai Jielan Daily Chemical Company Limited* (上海潔瀾日化有限公司).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ye Jingzhong (葉敬仲)** ("Mr. Ye"), aged 74, was appointed as an independent non-executive Director on 17 June 2016, the chairman of the remuneration committee of the Board, and a member of each of the audit committee and nomination committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Ye graduated from Fudan University in the PRC majoring in microbiology in January 1977 and has more than 35 years of experience in educational administration. From February 1978 to August 1982, Mr. Ye was a student mentor at the School of Life Sciences (the "School") of Fudan University. From August 1982 to May 1995, he was the administrative officer of the School. Mr. Ye became the associate dean of the School in May 1995 and served until April 1998. Thereafter, he served as the executive associate dean of the School from April 1998 to June 2003. Mr. Ye also undertook the position of secretary of the Communist Party Committee of the School from July 2002 to May 2012, and higher education management researcher from May 2008 to May 2012.

Mr. Ye is also a supervisor of Shanghai Bodao Genetic Technology Company Limited* (上海博道基因技術有限公司).

**Mr. Pan Qingwei (潘慶偉)** ("Mr. Pan"), aged 53, was appointed as an independent non-executive Director as well as a member of each of the audit committee, nomination committee and remuneration committee of the Board on 12 November 2019. He is primarily responsible for overseeing the management of our Group independently.

Mr. Pan has over 23 years of experience in administration management and education. Mr. Pan started to work at Jiangnan University from February 2001. Over the years, he took various positions at Jiangnan University, including secretary of the youth league and office chief of the chemistry and materials engineering faculty from February 2001 to May 2005, section chief of the property management section in the logistics management department from May 2005 to May 2008, assistant division chief and deputy chief of the logistics management department and facility department from May 2008 to May 2011, deputy general secretary of the party of logistics security system, deputy chief of the logistics liaison office, deputy division chief of the property department and facility department from May 2011 to May 2013, and deputy division chief of the logistics management department and chief of the food department from May 2013 to March 2016. From March 2016 until present, Mr. Pan has been the general secretary of the party of the chemistry and materials engineering faculty of Jiangnan University.

Mr. Pan graduated from the faculty of applied chemistry of Jiangnan University majoring in polymer materials in July 1995. He then finished a correspondence study program provided by East China University of Science and Technology majoring in chemistry engineering and technology in July 2001. In May 2004, he completed the advanced course for postgraduate in Marxist theory and political ideology education provided by Southeast University. In December 2009, he completed his study in the chemistry engineering and domain engineering major and was awarded the master degree in engineering by Jiangnan University. In July 2011, he finished the United States higher education management program for Jiangnan University provided by University of California, Davis. He was awarded as an outstanding member of the Communist party from 1996 to 1998 and in 2001.

**Mr. Tang Wai Yau (鄧維祐)** ("Mr. Tang"), aged 50, was appointed as our independent non-executive Director and the chairman of the audit committee of the Board on 17 June 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Tang is currently the chief operating officer of Alliance Capital Group Limited and a director of LF Consulting Company Limited. Mr. Tang obtained a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University in 1997 and a Master's Degree of Laws from The University of Hong Kong in 2019. He is also a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountant. Mr. Tang has over 25 years of experience in the accounting profession.

## SENIOR MANAGEMENT

**Ms. Zhu Liyan (朱麗燕)** ("Ms. Zhu"), aged 46, has been the chief financial officer of our Group since 14 August 2018. Ms. Zhu is responsible for the overall financial management of our Group. She obtained her bachelor's degree in accounting from Shanghai University of Finance and Economics in January 2010. She obtained her accountant's license from the Finance Bureau of Jiangyin in September 2001. She then achieved the intermediate qualification level for her accounting qualification by the Ministry of Finance of the People's Republic of China in May 2007. She was also awarded the qualifications of Registered Tax Agent by the Human Resources and Social Security Department of Jiangsu Province in September 2010 and International Registered Internal Auditor by the China Institute of Internal Audit in November 2012, respectively. She was accredited as a senior accountant by the Jiangsu Province Human Resources and Social Protection Agency* (江蘇省人力資源和社會保障廳) in August 2019.

She was the head of finance department of our principal operation subsidiary, namely Jiangsu Snow Leopard, responsible for its overall financial management, before she was promoted to the position of the chief financial officer. Over the years, she has accumulated 20 years of experience in the field of accounting and finance. Ms. Zhu started her career with Jiangsu Snow Leopard as an accountant in December 2002. After 8 years of service with our Group, she worked for Jiangyin Daqiao Accounting Firm* (江陰大橋會計師事務所) from December 2010 to May 2011 as an auditor. From May 2011 to January 2016, she was the group finance manager of Jetion Solar Technology Co., Limited* (中建材浚鑫科技有限公司).

**Mr. Xiang Dongliang (項東亮)** ("Mr. Xiang"), aged 43, was appointed as the joint company secretary and the authorised representative of the Company on 28 August 2018. With effect from 31 August 2021, Mr. Xiang was granted approval from the Stock Exchange to qualify and act as the sole company secretary under Rule 5.14 of the GEM Listing Rules. Mr. Xiang is responsible for the company secretarial work of our Group. He has been employed by the Group since January 2012 and has been under the direct supervision of the Company's three executive directors throughout the years as the head of the Group's planning department. From his long service in the Group and performance of his responsibilities in respect of administrative support, strategic planning and internal training of the Company, as well as the fact that he was involved in the entire initial public offering procedure of the Company and has been assisting the former company secretary Mr. Lau Shun Pong Johnson (劉信邦) in handling certain corporate governance and company secretarial matters after the Company was listed, Mr. Xiang has gained a high degree of familiarity with both the administrative and the operational affairs of the Group, and a reasonable level of understanding in the corporate governance and company secretarial procedure of a listed company.

In November 2022, Mr. Xiang won the second prize in the fifth Jiangsu Provincial Professional Manager Innovation Competition* (江蘇省第五屆職業經理人創新大賽).

Mr. Xiang obtained a bachelor's degree in Engineering (Chemical Engineering) and completed a second major in International Economics and Trade from Jiangnan University (江南大學) in the PRC in June 2005. Mr. Xiang also obtained a Master's degree in Engineering (Food Science and Engineering, Food Trade and Culture) from Jiangnan University in the PRC in June 2008. Prior to joining the Company, Mr. Xiang worked at Ningguo Lake Forest Science and Technology Park Company Limited* (寧國森林湖科技園有限責任公司) from June 2008 to June 2010. At the time of his departure, Mr. Xiang was the deputy general manager and assistant to the chairman.

* *English names are translated for identification purpose only*

# Directors' Report

The Directors present to the Shareholders this report and the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in notes 1 and 32 to the consolidated financial statement in this report. There were no significant changes in the nature of the Group's activities during the Year.

## RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 of this report.

## BUSINESS REVIEW

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this report. These discussions form part of this directors' report.

## FINAL DIVIDEND

The Company has adopted a policy on payment of dividends in compliance with code provision F.1.1 of the Corporate Governance Code contained in Appendix C1 to the GEM Listing Rules (the "Code"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

The Board does not recommend the payment of a final dividend for the Year (for the year ended 31 December 2023: 0.38 cents per share) in light of the profit level of the Company during the Year. There is no arrangement where a Shareholder has waived or arranged to waive any dividend.

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 16 May 2025 (Friday) at Conference Room, No. 35 Yingbin Road, Xiake Town, Jiangyin City, Jiangsu Province, the PRC. The notice of the AGM shall be published and despatched to the Shareholders in the manner prescribed by the GEM Listing Rules.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 9 May 2025 to Friday 16 May 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 May 2025. Shareholders whose names appear on the register of members of the Company on Friday, 16 May 2025 are entitled to attend and vote at the AGM or any adjournment thereof.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements in this report.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2024 are set out in note 32 to the consolidated financial statements.

## SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 7 to the consolidated financial statements.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 78. This summary does not form part of the audited consolidated financial statements in this report.

## BANK BORROWING

Details of the Group's bank borrowing as at 31 December 2024 are set out in note 23 to the consolidated financial statements in this report.

## SHARE CAPITAL

Details of the Company's share capital for the Year are set out in note 25(a) to the consolidated financial statements in this report.

## PRE-EMPTIVE RIGHTS

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

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the Year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this report.

## TRANSFER TO RESERVES

No appropriation from profit attributable to equity shareholders has been transferred to reserves during the Year. Other movements in reserves are set out in the consolidated statement of changes in equity on page 75 of this report.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Year and up to the date of this report, there was no material acquisition, disposal or investment by the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 27% of the total sales for the Year, and sales to the largest customer included therein accounted for approximately 10% of the total sales for the Year. Purchase from the Group's five largest suppliers accounted for approximately 46% of the total purchase for the Year, and purchase from the Group's largest supplier included therein accounted for approximately 21% of the total purchase for the Year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any interest in the Group's five largest customers and suppliers during the year ended 31 December 2024 and up to the date of this report.

## BOARD OF DIRECTORS

During the Year and up to the date of this report, the Directors are:

### Executive Directors

Ms. Li Qiuyan *(Chairman)*
Mr. Tong Xing *(Chief executive officer)*
Ms. Du Yongwei

### Independent non-executive Directors

Mr. Ye Jingzhong
Mr. Pan Qingwei
Mr. Tang Wai Yau

By virtue of code provision B.2.2 as set out in the Code contained in Appendix C1 to the GEM Listing Rules and Article 108(a) of the existing articles of association of the Company, Ms. Du Yongwei and Mr. Ye Jingzhong will retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the said meeting.

## DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a service contract or letter of appointment with the Company which may only be terminated in accordance with the provision of the service contract or by (i) the Company giving to any Director not less than three months prior notice in writing or (ii) any Director giving to the Company not less than three months prior notice in writing, and are subject to rotation and re-election at the AGMs of the Company in accordance with the existing articles of association of the Company.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 14 to 17 of this report.

## DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in note 14 respectively to the consolidated financial statements in this report.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director nor an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2024.

## CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2024. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholders of the Company or any of its subsidiaries was entered into during the Year and as at the date of this report.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year and up to the date of this report.

## DISTRIBUTION RESERVES

As at 31 December 2024, the Company's reserves available for distribution to the Shareholders represented the share premium, other reserve, net of accumulated losses amounted to approximately RMB115.9 million.

Details of movements in the reserves of the Company and the Group during the Year are set out in note 26(b) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## CONNECTED TRANSACTIONS

On 25 November 2022, Jiangsu Snow Leopard Daily Chemical Co., Limited* (江蘇雪豹日化有限公司) ("Jiangsu Snow Leopard"), being an indirect wholly-owned subsidiary of the Company, and Shanghai Fumeizi Biotechnology Co., Limited* (上海復美姿生物科技有限公司) ("Shanghai Fumeizi") entered into a lease agreement (the "Lease Agreement"), pursuant to which Shanghai Fumeizi has agreed to lease to Jiangsu Snow Leopard a property situated in Songjiang District, Shanghai, the PRC, with a total saleable area of approximately 2,908.27 square metres, for a fixed term of two years commencing from 1 December 2022 to 30 November 2024 (both days inclusive). Pursuant to the Lease Agreement, the quarterly rent shall be RMB480,000 (exclusive of utilities charges and management fee), and the property shall be for office use, research and development, e-commerce and warehousing.

As at the date of the Lease Agreement, Shanghai Fumeizi is wholly-owned by Mr. Tong Huaizhou, who is the son of Ms. Li Qiuyan (being an executive Director and the chairman of the Company), a family member of Mr. Tong Xing (being an executive Director and the chief executive of the Company) and a relative of Ms. Du Yongwei (being an executive Director). Accordingly, Shanghai Fumeizi is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 25 November 2022.During the Year, since the expiry of the Lease Agreement, Jiangsu Snow Leopard and Shanghai Fumeizi also entered into a lease agreement dated 1 December 2024 in relation to the Property for a term of two (2) months from 1 December 2024 to 31 January 2025 (both days inclusive) and the rent for the lease agreement amounted to RMB320,000.

During the Year, save as disclosed above, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. Details of significant related party transactions undertaken in the usual course of business for the Year are set out in note 30 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitute a connected transaction under the GEM Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2024, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long position in the ordinary shares of the Company

| Name of Director | Capacity/Nature | No. of Shares held/ interested in | Approximate percentage of interest |
|---|---|---|---|
| Ms. Li Qiuyan | Interest in a controlled corporation *(Note 1)* | 593,625,000 | 59.36% |
| Mr. Tong Xing | Interest in a controlled corporation *(Note 2)* | 106,875,000 | 10.69% |

*Notes:*

1. Ms. Li beneficially owns the entire issued share capital of ChongBo Mary Investment Limited ("ChongBo Mary"). Therefore, Ms. Li is deemed, or taken to be, interested in the shares of the Company held by ChongBo Mary for the purposes of the SFO. Ms. Li is a director of ChongBo Mary.

2. Mr. Tong beneficially owns the entire issued share capital of Tong Xing Holding Group Limited ("Tong Xing Holding"). Therefore, Mr. Tong is deemed, or taken to be, interested in the shares of the Company held by Tong Xing Holding for the purposes of the SFO. Mr. Tong is a director of Tong Xing Holding.

### Long position in the shares of associated corporation

| Name of Director | Name of associated corporation | Capacity/Nature | No. of Shares held/ interested in | Approximate percentage of interest |
|---|---|---|---|---|
| Ms. Li | ChongBo Mary | Beneficial owner | 1 | 100% |

Save as disclosed above, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2024, so far as the Directors are aware, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### Long position in the ordinary shares of the Company

| Name of Director | Capacity/Nature | No. of Shares held/ interested in | Approximate percentage of interest |
|---|---|---|---|
| ChongBo Mary | Beneficial owner | 593,625,000 | 59.36% |
| Tong Xing Holding | Beneficial owner | 106,875,000 | 10.69% |
| Ms. Zhang Li | Interest of spouse *(Note 1)* | 106,875,000 | 10.69% |

*Note:*

1. Ms. Zhang Li is the spouse of Mr. Tong. Accordingly, Ms. Zhang Li is deemed, or taken to be, interested in the Shares held by Mr. Tong for the purposes of the SFO.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraphs headed "Directors' and chief executives' interests and/or short positions in shares, underlying shares and debentures of the Company or any associated corporations" above, and "Share Option Scheme" below, at no time during the Year was the Company, its holding company, or subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 17 June 2016 (the "Adoption Date"). The following is a summary of the principal terms and conditions of the Share Option Scheme.

### 1. Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

### 2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

### 3. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Listing Date of the Company (i.e. a total of 100,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report).

### 4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option scheme of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

### 5. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

### 6. Performance target

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

### 7. Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of an offer for the grant of option(s) is HK$1.

### 8. Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before Listing.

### 9. Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid). Any breach of these restrictions will automatically render the option lapsed.

### 10. Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period often years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof. As at the date of this report, the Share Option Scheme has a remaining life of approximately three years.

Since the adoption of the Share Option Scheme and up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the Year.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had 272 employees (2023: 263), including the Directors . The Directors and senior management received compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of the Group. When reviewing and determining the specific remuneration package for the Directors and senior management, the Company took into consideration factors such as, among other things, the economic situation, the market level of salaries paid by comparable companies, the respective responsibilities and duties of the individual and the performance of the individual and the Group. The remuneration committee of the Board has been set up for reviewing the Group's emolument policy and structure for the remuneration of the Directors.

The Group's remuneration to employees included salaries and allowances.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 29 to 41 of this report.

## CHARITABLE DONATIONS

During the Year, the Group had made charitable and other donation of RMB591,648 (2023: RMB553,000).

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent to the Company.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors has been in force since the Listing Date and as at the date of this report. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company has maintained sufficient public float since the Listing Date and up to the date of this report as required under the GEM Listing Rules.

## AUDITOR

SHINEWING (HK) CPA Limited has acted as auditor of the Company during the Year. The Company has not changed its external auditor in the preceding three years and up to the date of this report.

SHINEWING (HK) CPA Limited will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming AGM.

By Order of the Board of
**China Golden Classic Group Limited**
**Ms. Li Qiuyan**
*Chairman*

Hong Kong, 26 March 2025

* *English names are translated for identification purpose only*

## CORPORATE GOVERNANCE PRACTICES

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the Year (this "Report").

The Board recognises the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of the Shareholders.

During the Year, the Company has complied with all the applicable code provisions in the Code. The principles of the Code have been applied throughout in order to enable the Shareholders to evaluate how the principles have been applied.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer is clearly established and set out in writing. To ensure a balance of power and authority, the Company has been fully supportive of the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer have been segregated and performed by Ms. Li Qiuyan and Mr. Tong Xing, respectively. Ms. Li Qiuyan has been primarily responsible for making sure that adequate information about the Company's business is provided to the Board on a timely basis, and that all Directors were properly briefed on issues arising at Board meetings. Apart from providing information, Ms. Li Qiuyan has also been providing leadership for the Board, ensuring that all issues are discussed in a timely manner, and good corporate governance practices and procedures has been established, and encouraging all directors to make full and active contribution to the Board's affairs to ensure it acts in the best interests of the Company. Ms. Li Qiuyan has also been promoting a culture of openness and debate by facilitating effective contribution of all Directors. Also, she has been ensuring that appropriate steps have been taken to provide effective communication with Shareholders and that their views have been communicated to the Board as a whole.

Mr. Tong Xing has been primarily responsible for the overall management and operation of the Group, and implementation of the objectives, policies and strategies approved by the Board.

Ms. Li Qiuyan has held a meeting with the independent non-executive Directors without the presence of other Directors on 23 March 2024.

## APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

Under code provision B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company has implemented a formal and transparent procedure for appointment of Directors in compliance with the Code. Pursuant to Article 108(a) of the articles of association of the Company, at every AGM of the Company, one third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. Accordingly, Mr. Ye Jingzhong and Ms. Du Yongwei will retire and being eligible, offer themselves for re-election as independent non-executive Director and executive Director respectively at the AGM.

## DIRECTORS SERVICE CONTRACTS AND APPOINTMENT LETTERS

All of the Directors has entered into a service contract or letter of appointment with the Company for an initial term of three years commencing from the Listing Date, which may only be terminated in accordance with the provision of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) any Director giving to the Company not less than three month's prior notice in writing.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "Code of Conduct") 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 all Directors, the Directors confirmed that they have complied with the Code of Conduct during the Year and up to the date of this Report.

## BOARD OF DIRECTORS

The Board comprised three executive Directors and three independent non-executive Directors as at the date of this Report, details of which are set out below:

### Executive Directors

Ms. Li Qiuyan *(Chairman)*
Mr. Tong Xing *(Chief executive officer)*
Ms. Du Yongwei

### Independent non-executive Directors

Mr. Ye Jingzhong
Mr. Pan Qingwei
Mr. Tang Wai Yau

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 17 of this Report.

Ms. Li Qiuyan is the step-mother of Mr. Tong Xing, our executive Director and the chief executive officer of our Company. She is also the cousin of Ms. Du Yongwei, our executive Director. Save as disclosed herein, to the best knowledge of the Company, there are no financial, business, family or other material relationships among members of the Board.

The list of Directors identifying their names, roles and functions are set out on the Company's website and on the Stock Exchange's website.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers that all independent non-executive Directors are independent and remain so as of the date of this report.

## FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duties are to ensure the business viability of the Company and to ensure that it is managed in the best interests of the Shareholders while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in compliance with the Code, setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investment and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board also delegated the corporate governance functions. After reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements, compliance with the Code of Conduct and compliance manual, and the compliance with the Code and disclosure in this Report, the Board is satisfied with the effectiveness of the Company's corporate governance policy.

## BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly in compliance with the Code. In compliance with code provision C.5.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and accompanying board papers of regular Board meetings are sent, in full, to all Directors in a timely manner and at least 3 days prior to the meetings to ensure all Directors are given an opportunity to include matters in the agenda for regular Board meetings and are able to make informed decisions on matters placed before them. In compliance with code provision C.5.9 of the Code, the management has supplied the Board and its committees with adequate, complete and reliable information, in a timely manner, and all Directors can make further enquiries as to the Board meetings.

Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings.

Independent non-executive Directors are also encouraged to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

Full minutes are kept by duly appointed secretary of the meetings. Draft and final versions of minutes of the meetings are sent to all Board and committee members for their comments and records, within a reasonable time after the meetings.

Every Director is subject to re-election on retirement by rotation in accordance with the articles of association of the Company.

During the year ended 31 December 2024, the Board convened a total of two Board meetings based on the needs of the operations and business development of the Group, instead of holding at least four regular board meetings during the Year as required under code provision C.5.1 of the Code. The Company will consider holding more regular Board meetings in the coming year to comply with the requirements under the said code provision.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meetings, remuneration committee (the "Remuneration Committee") meetings and nomination committee (the "Nomination Committee") meeting and AGM of the Company held for the Year are summarised as follows:

| | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings | Annual General Meeting |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Ms. Li Qiuyan | 2/2 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. Tong Xing | 2/2 | N/A | N/A | N/A | 1/1 |
| Ms. Du Yongwei | 2/2 | N/A | N/A | N/A | 1/1 |
| **Independent non-executive Directors** | | | | | |
| Mr. Ye Jingzhong | 2/2 | 3/3 | 1/1 | 1/1 | 1/1 |
| Mr. Pan Qingwei | 2/2 | 3/3 | 1/1 | 1/1 | 1/1 |
| Mr. Tang Wai Yau | 2/2 | 3/3 | N/A | N/A | 1/1 |

## BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees, and sufficient resources have been given by the Company to each of the committees to perform its duties.

### Corporate Governance Function

In compliance with the code provision A.2 of the Code, the Directors have been collectively responsible for performing the corporate governance duties of the Company, which included developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Code of Conduct and compliance manual applicable to employees and Directors of the Company; and reviewing and ensuring the Company's compliance with the Code from time to time adopted by the Company and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

## Audit Committee

The Company established the Audit Committee on 17 June 2016 with written terms of reference which are in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and code provision D.3.3 and D.3.7 of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control procedures and risk management system of the Company. As at 31 December 2024, the Audit Committee is chaired by Mr. Tang Wai Yau (an independent non-executive Director), and consists of two other independent non-executive Directors, namely Mr. Ye Jingzhong and Mr. Pan Qingwei. None of them acted as former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have any material interest in any principal business activity of the Group, nor is or was any of them involved in any material business dealing with the Group or with any core connected persons of the Group within 1 year immediately prior to their respective date of appointment.

During the Year, the Audit Committee had reviewed the Group's unaudited interim results for the six months ended 30 June 2024 as well as audited annual results for the year ended 31 December 2024 and the Group's internal controls for the Year. The Group's results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this Report, and confirmed that this Report complies with the GEM Listing Rules.

The Audit Committee held 3 meetings during the Year. Details of the attendance of the Audit Committee at the Audit Committee meetings are set out in the section headed "Board Meetings and Procedures" .

## Remuneration Committee

The Company established the Remuneration Committee on 17 June 2016 with written terms of reference which are in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules and code provision E.1.2 of the Code. The Remuneration Committee is provided with adequate resources to perform its duties. The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. As at 31 December 2024, the Remuneration Committee is chaired by Mr. Ye Jingzhong (an independent non-executive Director), and consists of two other members, namely Ms. Li Qiuyan (an executive Director) and Mr. Pan Qingwei (an independent non-executive Director).

The Remuneration Committee has carried out the following matters:

(i) determining the policy for the remuneration of executive Directors;

(ii) assessing performance of executive Directors;

(iii) approving the terms of executive Directors' service contracts;

(iv) reviewing and approving matters relating to share schemes under Chapter 23 of GEM Listing Rules.

The Remuneration Committee considered that the remuneration packages and emoluments are fair and reasonable during the Year.

One Remuneration Committee meeting was held during the Year. Details of the attendance of the Remuneration Committee at the Remuneration Committee meeting are set out in the section headed "Board Meetings and Procedures".

## Nomination Committee

The Company established the Nomination Committee on 17 June 2016 with written terms of reference which are in compliance with the code provision B.3.1 of the Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors. As at 31 December 2024, the Nomination Committee is chaired by Ms. Li Qiuyan, who is also the chairman of the Board, and consists of two other members, namely Mr. Ye Jingzhong (an independent non-executive Director) and Mr. Pan Qingwei (an independent non-executive Director).

One Nomination Committee meeting was held during the Year. Details of the attendance of the Nomination Committee at the Nomination Committee meeting are set out in the section headed "Board Meetings and Procedures".

*Board Nomination Policy*

The Company has adopted a nomination policy in compliance with the Code. It has written guidelines for the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, the Directors have competencies in areas which are relevant and valuable to the Group.

*Nomination Process*

The Nomination Committee has been responsible for assessing whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. Director candidates will be evaluated on the same criteria through a review of his/her resume, personal interview and of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

*Selection Criteria*

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

## DIVERSITY OF THE BOARD

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own Board diversity policy and recognised the benefits of having diversity in the composition of the Board.

The Company noted that that people from different backgrounds and with different professional and life experiences would likely approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Gender Diversity

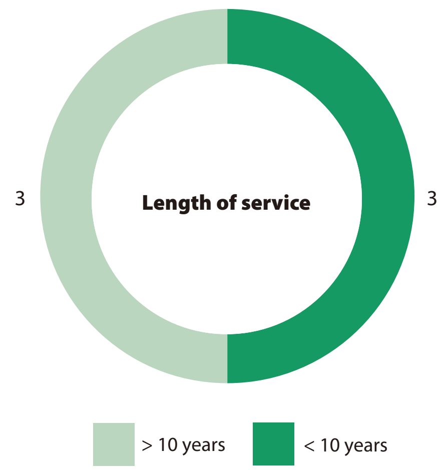
As at 31 December 2024, the Group's workforce (including senior management) is approximately 63.1% female, among which, approximately 52.6% of the Group's senior management roles are held by women. The chart below summarizes the share of women at different position levels across the Group as at 31 December 2024.

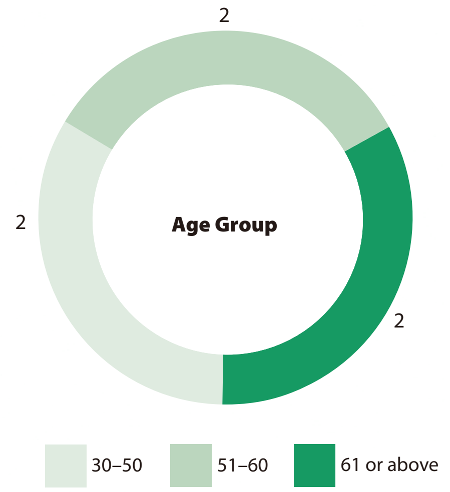
| Gender | Executive Director | Independent Non-Executive Director | Senior Management | Senior Manager | Manager | Employee |
|---|---|---|---|---|---|---|
| Male | 1 | 3 | 1 | 7 | 15 | 75 |
| Female | 2 | 0 | 1 | 8 | 9 | 153 |
| Total | 3 | 3 | 2 | 15 | 24 | 228 |
| Share of women | 66.7% | 0.0% | 50.0% | 53.3% | 37.5% | 67.1% |

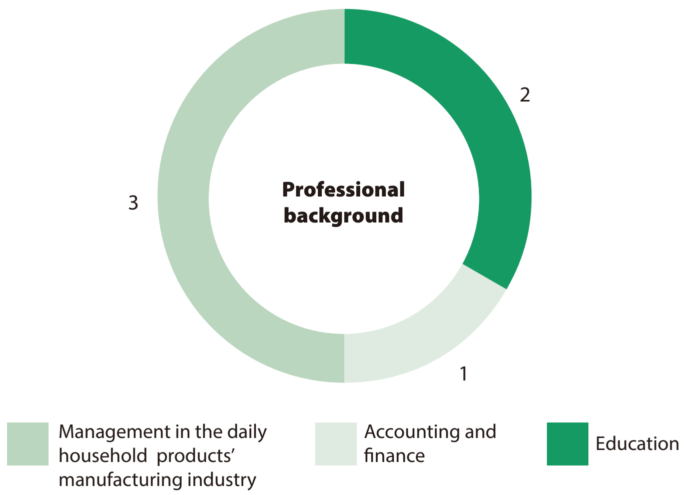
The Company considers that it has met the objective in gender diversity to achieve gender balance in key roles. The Company intends that it shall continue to maintain at least one-third of the Groups management roles at the level of director and above be held by women.

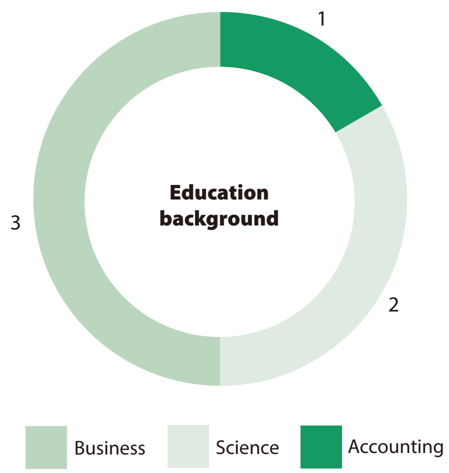
## Composition of the Diversified Board

As at the date of this Report, the Board comprises six Directors, two of which are females. The following diagram and/or table further illustrate the composition and diversity of the Board in terms of position, gender, age group, length of service with the Group, education background and professional background as of the date of this Report:



## PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision C.1.4 of the Code, all Directors 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. The Directors have provided the relevant record to the Company for the Year.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her 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.

During the Year, each of the Directors, namely Ms. Li Qiuyan, Mr. Tong Xing, Ms. Du Yongwei, Mr. Ye Jingzhong, Mr. Pan Qingwei, and Mr. Tang Wai Yau, received from the Company from time to time updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All Directors were updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefing and professional development to Directors will be arranged whenever necessary.

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has adopted its own information disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations, particularly the GEM Listing Rules and Securities and Futures Ordinance Cap. 571. The Group has strictly prohibited unauthorised use of confidential or inside information and has a system of internal procedures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities. The Board authorised only the authorised representatives registered in the Stock Exchange for responding on behalf of the Company.

## COMPANY SECRETARY

The Board appointed Mr. Xiang Dongliang ("Mr. Xiang") as company secretary. Mr. Xiang became an authorised representative of the Company on 28 August 2018.

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. For the Year, Mr. Xiang confirmed that he has undertaken no less than 15 hours of relevant professional training.

The company secretary's biography is out in the section headed "Biographies of Directors and Senior Management" of this report.

## SENIOR MANAGEMENT REMUNERATION

The senior management's remuneration payment of the Group in the Year falls within the following band:

| | **Number of individuals** |
|---|---|
| HK$200,000 or below | Nil |
| HK$200,001 to HK$300,000 | Nil |
| HK$300,001 to HK$500,000 | 2 |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The financial statements are prepared with sufficient explanation and information provided by the management to the Board, where the management provides the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in detail. The goal is for the Board to present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. The statement by auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this report. The Directors have adopted the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

An analysis of the Company's performance is set out under the section "Management Discussion and Analysis" which discusses the group's performance, explains the basis on which Company generates/preserves value over the longer term, and explains the strategy for delivering the Company's objectives.

## EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the Year. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the Year, the fee paid or payable to SHINEWING (HK) CPA Limited in respect of its statutory audit services provided to the Group was HKD600,000.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility to ensure the Company maintains an effective risk management and internal control systems, where it oversees the systems on an ongoing basis and ensures that the review of the effectiveness of the systems is adequate.

The Group has an Internal Audit ("IA") function, which consists of professional staff with relevant expertise (such as a Certified Public Accountant). The IA function is independent of the Group's daily operations and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of the internal control system's operating effectiveness.

During the Year, the Audit Committee conducted an annual review based on the internal control framework developed by the IA function which comprises assessment on the financial reporting process and the bank and cash management procedure of the Group. Such internal control system adopted by the Company is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. This framework enables the Group to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are control environment, risk assessment, control activities, information and communication, and monitoring.

The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

The Group adopts a risk management system which manages the risks associated with its business and operations. The system comprises the following phases:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk treatment
- Risk monitoring and reporting

Based on the IA function's rigorous evaluation, no significant deficiencies were identified in the Group's operation. The Audit Committee reviewed the internal control review report and the Company's risk management and internal control systems for the Year, and are of the view that they are effective and adequate. The Board also assessed the effectiveness of the Company's internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred with the same. The Company will perform ongoing assessments to identity material risk factors and take measures to manage these risks on a regular basis. In any case, reviews on risk management and internal control system are conducted annually.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been adopted from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- restricting the access of information to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;

- confidentiality agreements are in place when the Group enters into significant negotiations;

- the Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors; and

- the Company has a retained compliance adviser and legal adviser during the Year and have consulted them in the event where inside information may have arisen.

## GENERAL MEETING WITH SHAREHOLDERS

One general meeting, being the annual general meeting of the Company took place on 16 May 2024, was held during the Year and the Company's forthcoming AGM will be held on Friday, 16 May 2025.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.goldenclassicbio.com) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholders communication policy was adopted on 17 June 2016 to comply with the Code.

No changes were made to the Company's shareholders' communication policy during 2024. The Board reviewed the Company's shareholders engagement and communication activities conducted in 2024 and was satisfied with the implementation and effectiveness of the shareholders' communication policy of the Company.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: xiangdongliang@126.com.

## PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

| | |
|---|---|
| Address: | Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong |
| Tel: | 3152 3579 |
| E-mail: | xiangdongliang@126.com |

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

## PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 113 of the existing articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the articles of association of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There has been no significant changes in the constitutional documents of the Company during the Year.

# Environmental, Social and Governance Report

## INTRODUCTION

China Golden Classic Group Limited (hereinafter, the "Company", "we" or "us") and its subsidiaries (collectively known as the "Group") are pleased to present our Environmental, Social and Governance ("ESG") report ("ESG Report"). The content of this ESG Report focuses on providing an overview of the ESG performance of our major operations from 1 January 2024 to 31 December 2024 (the "Year").

The Group is a daily household products producer with a strategic business focus on the production and sales of oral care products, which mainly include functional toothpastes, as well as household products and leather care products, in the People's Republic of China ("PRC"). The headquarters and production facilities of the Group are based in Jiangyin City, Jiangsu Province, the PRC.

The Group believes that prudent management of environmental and social issues is one of the key factors for long-term success in this ever evolving world. To better understand the risks and opportunities for environmental protection, the Group closely conforms to the requirements and expectations of regulatory authorities through an efficient operation management, well-established policies and procedures as well as setting attainable targets, higher standards of energy efficient measures and waste treatment. We believe that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges faced by the Group.

In order to carry out the Group's sustainability strategy from top to bottom, the Board has the ultimate responsibility to ensure the effectiveness of the Group's ESG practices. The Board has established certain dedicated teams to manage ESG issues within each business division of the Group. Designated staff have been assigned to enforce and supervise the implementation of the relevant polices.

## REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative – key performance indicators ("KPIs") have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

## ESG STRUCTURE

At the heart of the Group's corporate strategy is its objective to enhance long-term, sustainable value for all its stakeholders. The Group is committed to building a robust governance structure that is both rigorous and adaptable to the evolving environmental factors. In order to achieve this objective, the Group adopted an effective ESG governance structure where the Board bears the ultimate responsibility for the Group's ESG strategy, management, performance and reporting. With an aim to strengthening the sustainability governance practices, the Group has also established an ESG Working Group, comprised of employees from different departments of the Group, who are in charge of overseeing the implementation of ESG policies across the Group's operations, as well as reporting any potential ESG issues to the Board.

Chaired by the executive director of the Company, the ESG Working Group is delegated by the Board with the following duties and responsibilities to support the fulfilment of the Group's ESG objectives, including but not limited to the following:

– to identify, evaluate, prioritize and manage the material ESG-related issues of the Group;

– to make recommendations to the Board for the approval on the ESG-related goals and targets and report the progress to the Board;

– to develop and implement the ESG-related strategies, frameworks and policies of the Group and regularly report to the Board on the progress and effectiveness of the development and implementation;

– to prepare the ESG reports of the Group in accordance with all applicable laws, rules and regulations.

Climate change is a great challenge that requires a goal coalition to be resolved. The PRC aims for a carbon-neutral country by 2060. As a responsible corporate citizen and in line with national policy initiatives, the Group has implemented a group-wide Climate Change Policy to provide a systematic process for the Group to proactively identify, assess and manage climate-related issues. Climate change is a high priority on our business agenda. Climate-related risks have accordingly been integrated into our risk management framework.

In order to identify and assess the material concerns of our stakeholders, we have conducted materiality assessment surveys through stakeholder engagement. The assessment helped us determine the factors that have material impacts on our sustainable growth and have incorporated them in the development of our ESG strategies and targets. Our focus on ESG includes climate action and energy conservation. Recalibrating the ESG strategies to include actions to mitigate climate change, we have set targets to reduce greenhouse gas ("GHG") emissions, electricity usage, water consumption and waste disposed to landfills. The environmental targets were approved by the Board and the progress will be reviewed by the Board annually. The Group believes setting ESG-related targets can enhance the Group's commitment to corporate social responsibility and allow the Group's stakeholders to have a clearer understanding of the Group's performance on the ESG front.

## SCOPE AND REPORTING PERIOD

This ESG Report captures the Group's ESG performance for the Year, and it is prepared in accordance with the requirements set out in the ESG Reporting Guide, Appendix C2 to the GEM Listing Rules.

This ESG Report focuses on the Group's operation at its headquarters, and production facilities in respect of their ESG performances for the Year unless otherwise stated. The Group has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the Year.

## REPORTING PRINCIPLES

The ESG Report was compiled according to the following reporting principles of the ESG Reporting Guide:

Materiality: This ESG Report is structured based on the materiality of respective issues as found by the materiality assessment. The results of the materiality assessment were reviewed and confirmed by the Board and senior management.

Quantitative: This ESG Report discloses key performance indicators ("KPIs") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs are stated where appropriate.

Balance: This ESG Report is based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall performance of the Group in all ESG aspects.

Consistency: Unless otherwise stated, the Group's disclosure and statistical methods are consistent with the previous financial year so as to provide meaningful comparisons. If there is any change that may affect the comparisons with the previous report, the Group will make explanatory notes to the corresponding sections of this ESG Report.

## STAKEHOLDER ENGAGEMENT

As stakeholders play a crucial role in sustaining the success of our business, we make use of various communication channels to understand our stakeholders. The following table provides an overview of the Group's key stakeholders and various approaches adopted by the Group to communicate with different key stakeholders.

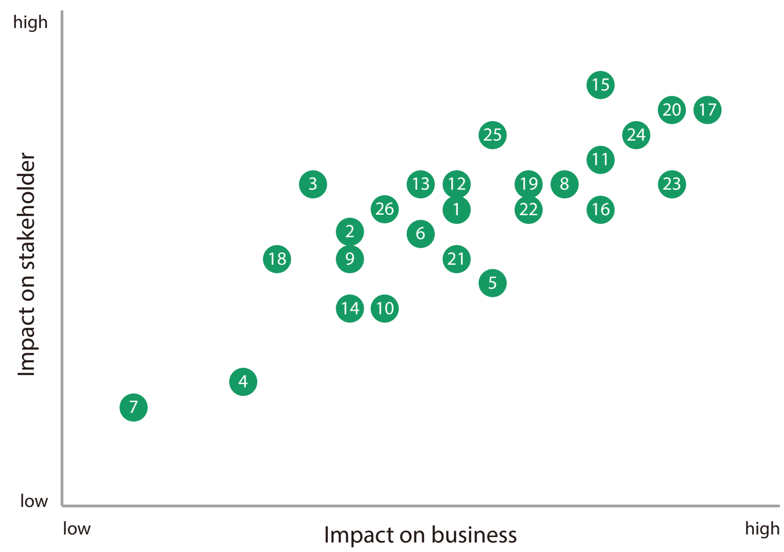
| Stakeholders | Probable points of concern | Communication and responses |
|---|---|---|
| Customers | • Service quality<br>• Service delivery schedule<br>• Reasonable prices<br>• Service value | • Routine business communications |
| Government and regulatory | • Compliance operation<br>• Risk management<br>• Payment of tax<br>• Anti-corruption<br>• Anti-money laundering | • Interaction and visits<br>• Government inspections<br>• Tax returns and other information<br>• Rules and guidelines published by regulatory authorities, including the Stock Exchange and the SFC |
| Shareholders and investors | • Corporate governance<br>• Business<br>• Risk management<br>• Investment returns | • Annual general meeting<br>• Announcements and circulars<br>• Financial reports<br>• Email or mail |
| Media and public | • Corporate governance<br>• Environmental protection<br>• Human rights | • Company's website<br>• Shareholders' meetings<br>• Issue of financial reports or operation reports for investors |
| Employees | • Rights and benefits<br>• Compensation<br>• Training and development<br>• Work hours<br>• Working environment<br>• Data privacy | • Regular meetings and management communication<br>• Job performance evaluation |
| Suppliers | • Fair and open procurement<br>• Service hotline | • Email or mail |
| Community | • Community environment<br>• Employment opportunities<br>• Social welfare<br>• Community development | • Developing community activities<br>• Employee voluntary activities<br>• Community welfare subsidies<br>• Donations |

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please send your comments and feedback on the ESG Report or on the Group's ESG approach to our company secretary at xiangdongliang@126.com.

## MATERIALITY ASSESSMENT

The Group has identified ESG issues from various sources that may have potential impacts on its sustainable development from various sources, including issues identified and included in the Group's previous ESG report and internal policies. ESG concerns raised by the Group's stakeholders are set out under the materiality matrix below. ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The Group has adopted relevant measures to cope with these ESG issues, and therefore, the Group believes that these ESG issues do not have a material impact on the financial and operational performance on the Group.




According to the matrix, the most material topics to the Group's stakeholders and its operations are,

- Development and Training
- Product Responsibility
- Anti-corruption Awareness

The Group strictly complies with the statutory requirements in respect of the identified material aspects. The above aspects were strictly managed through the Group's policies and guidelines. The Group will continue to improve its ESG management and performance by actively communicating with its stakeholders and constantly improving its internal policies.

| | ESG Issues | | ESG Issues |
|---|---|---|---|
| 1 | Emissions | 14 | Work Injuries |
| 2 | Greenhouse Gas Emissions | 15 | Development and Training |
| 3 | Hazardous Waste | 16 | Labour Standards |
| 4 | Non-hazardous Waste | 17 | Supply Chain Management |
| 5 | Energy Consumption | 18 | Supplier Location |
| 6 | Water Consumption | 19 | Supplier Engagement |
| 7 | Water Sourcing | 20 | Product Responsibility |
| 8 | Packaging Material Consumption | 21 | Product Recall |
| 9 | Environment and Natural Resources | 22 | Product Related Complaints |
| 10 | Climate Change | 23 | Privacy Protection |
| 11 | Employment | 24 | Anti-corruption Awareness |
| 12 | Employee Turnover | 25 | Corruption Case |
| 13 | Health and Safety | 26 | Community Investment |

## A. ENVIRONMENT

To demonstrate the Group's commitment to sustainable development and its compliance with the applicable laws and regulations in relation to environmental protection, the Group endeavours to minimise the environmental impact of business activities and to promote the concept of green operation and green office practice.

The Group has incorporated measures to minimise energy consumption and environmental pollution from its production activities.

(1) For energy saving:

1. Further enhanced informatisation and smart technology in the production process. Energy consumption standards of specialised equipment in our workshops are not lower than those specified in the Industrial Structure Adjustment Guidance Catalogue (2021 edition). Recovery levels of residual heat and pressure in our factories continue increasing as energy consumption of production continues being optimised;

2. Established an energy management system and installed smart water meters and electric meters at major energy consumption points of each workshop to monitor and optimise our energy consumption in real time. An energy saving award has been set up to motivate our employees actively engage in energy saving activities;

3. Strong emphasis on energy saving and low carbon emissions buildings, requiring newly built properties to meet low energy consumption building requirements. More environmental steam heating for winter and geothermal heat pump cooling for summer have been adopted for our R&D facilities and office buildings while energy saving lamps are used for the Group's lighting;

4. Constructed a rooftop PV system with a capacity of 2,033 kW in our factory and engaged a professional company to conduct maintenance in order to ensure efficient power generation of the system;

5. Frequency conversion technology is widely used in electric equipment such as water pump and fan;

6. The intelligent equipments is widely used in workshops;

7. Both the defect rate and energy utilization rate have been improved since the Group's implementation of several management systems for data interaction and interconnection such as distributed control system (DCM), manufacturing execution system (MES), Enterprise Resource Planning (ERP), etc.

(2) For emissions reduction:

1. Increased usage of green and biodegradable surfactants in our products;

2. Adopted phosphate free formula for kitchen degreaser and wool detergent products;

3. Optimised our Purchase Control Procedures by including environmental protection, energy consumption and occupational health and safety aspects of production of our suppliers as major indicators in our evaluation of suppliers;

4. Formulated the Design and Development Control Procedures setting out eco design requirements and reduction of raw materials consumption per unit product in the design of our products;

5. Using spray tower and activated carbon to deal with the waste gas generated from household hygiene products and leather care products workshops.

Besides, the Group provides regular training to employees to increase their environmental awareness. The Group has also appointed a dedicated employee to closely monitor the Group's compliance with the applicable laws and regulations, and to review and update the Group's internal environmental protection policy (the "Environmental Protection Policy"). Employees are also obliged to make regular reports to the management team, where the management team has the overall responsibility for overseeing matters concerning environmental protection within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deals with environmental pollution incidents once occurred.

The Group has maintained an environmental management system in conformity to internationally applied ISO 14001:2004 standard for environmental protection systems, and ISO 5001:2018 standard for energy management systems The Group has been accredited by the certification body recognised by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (the "AQSIQ") since 2009. In 2019, the Group was recognised as Advanced Enterprise in Ecological Civilization Construction* (生態文明建設先進企業) by the Jiang yin Environmental Protection Committee* (江陰市環境保護委員會) under the appraisal system . In November 2019, the Group was recognized as the National Environmental Labelling Outstanding Enterprise* (中國環境標誌優秀企業獎) by the Environmental Development Center of the Ministry of Ecology and Environment Development of the People's Republic of China. In December 2019, the Group obtained the Certificate of Management System for the Integration of Informatization and Industrialization* (兩化融合工業化和信息化管理體系證書). During the past five years, the Group gained new achievements in the ESG domain, and the following table sets out our major awards and certifications.

| Qualification/certification | Granting organisation or authority |
|---|---|
| National Green Enterprise of China* (中國綠色工廠) | Industry and Information Technology Department of China* (中國工業和信息化部) |
| Four Star Enterprise Cloud of Jiangsu* (江蘇省上雲四星級企業) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |
| Green Enterprise of Jiangsu* (江蘇綠色工廠) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |
| Model Enterprises of Jiangsu Industry Internet* (江蘇工業互聯網標桿企業) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |
| National Green Design Products* (國家級綠色設計產品) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |
| Energy management system* (ISO 5001:2018) | China Quality Certification Centre* (中國質量認證中心) |
| Green Footprint Evaluation Certificate* (綠色足跡評價證書) | China Quality Certification Centre* (中國質量認證中心) |
| Excellent popular science education base of Wuxi* (無錫市優秀科普教育基地) | Wuxi Scientific and Technological Committee* (無錫市科學技術委員會) |
| Intelligent manufacturing demonstration factory of Jiangsu* (江蘇省智能製造示範工廠) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和資訊化廳) |
| Specialized and Sophisticated Small and medium sized enterprises of Jiangsu* (江蘇省專精特新中小企業) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和資訊化廳) |
| Five Star Enterprise Cloud of Jiangsu* (江蘇省上雲五星級企業) | Industry and Information Technology Department of Jiangsu* (江蘇省工業和信息化廳) |

The Directors believe that this will contribute positively to strengthening the Group's ability to save energy and reduce emissions.

## Emissions

The Group's daily operations do not involve chemical reactions. Our major raw materials are sourced from selected suppliers and our carbon footprint mainly arises from small volumes of wastewater and solid waste while we produce almost no emissions (besides GHG). To comply with the applicable laws and regulations, and the Group's Environmental Protection Policy, the Group has been conducting regular assessments on air and GHG emissions of the production facilities, and on the handling of hazardous and non-hazardous waste disposal against relevant national standards. In accordance with relevant environmental laws and regulations and our relevant environmental policies, the Group must ensure that national emissions standards are met. The applicable PRC national environmental laws and regulations also require the payment of fees in connection with activities that involve the discharge of waste materials. Fines and other penalties will be imposed on facilities that endanger the environment. During the Year, the Group maintained necessary licences issued by competent environment protection authorities for discharging waste water, solid waste and gas.

During the Reporting Year, the Group has complied with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the PRC;
- Soil Pollution Prevention and Control Law of the PRC;
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste;
- Regulations on Environmental Protection in Jiangsu Province;
- Discharge Limits of Water Pollutants (DB32/4576-2023);
- Emission Limits of Air Pollutants (DB32/4041-2021);
- Emission Standard of Cooking Fume (GB18483-2001); and
- Emission Standard of Noise at Boundary of Industrial Enterprises (GB 12348-2019).

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Year.

The KPI of the Group for the Year is as follows:

*Air emissions*

The Group did not generate much air emissions from its production. The air pollutants generated by the Group included nitrogen oxides ("$NO_x$"), sulphur oxides ("$SO_x$") and particulate matters ("PM"), which arose primarily from the petroleum and diesel consumption for transportation. During the Year, the air emissions data is as follows:

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| **Categories** | **Quantity** | **Unit** | **Intensity – Unit per employee** | Quantity | Unit | Intensity – Unit per employee |
| **Nitrogen oxides ($NO_x$) emissions** | | | | | | |
| Emissions from petroleum and diesel consumption | **292.23** | **kg** | **1.07** | 344.81 | kg | 1.30 |
| **Sulphur oxides ($SO_x$) emissions** | | | | | | |
| Emissions from petroleum and diesel consumption | **0.98** | **kg** | **0.004** | 1.46 | kg | 0.006 |
| **Particulate matters (PM) emissions** | | | | | | |
| Emissions from petroleum and diesel consumption | **23.83** | **kg** | **0.09** | 29.21 | kg | 0.11 |

*Note:* Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix C2 to the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited ("HKEX"), unless stated otherwise.

*Greenhouse gas emissions*

The consumption of electricity and steam by the Group's production facilities and offices, and the consumption of petroleum and diesel for transportation constitute the major sources of GHG emissions of the Group. During the Year, the GHG emissions data is as follows:

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| **Categories** | **Unit** | **Quantity** | **Intensity – Unit per employee** | Quantity | Intensity – Unit per employee |
| **Carbon dioxide emissions** | | | | | |
| Direct GHG emission from operation | tonnes | **24.75** | **0.09** | 23.04 | 0.09 |
| Direct GHG emission from petroleum and diesel consumption | tonnes | **130.21** | **0.48** | 211.42 | 0.79 |
| Indirect GHG emission from electricity consumption | tonnes | **955.24** | **3.51** | 840.98 | 3.16 |
| Indirect GHG emission from steam consumption | tonnes | **781.39** | **2.87** | 863.35 | 3.25 |
| Indirect GHG emission from flight travels | tonnes | **31.90** | **0.12** | 26.21 | 0.10 |
| Less: Deduction of GHG emission from planting trees | tonnes | **-3.18** | **-0.01** | -3.15 | -0.01 |
| **Total carbon dioxide emissions** | tonnes | **1,920.32** | **7.06** | 1,961.84 | 7.38 |
| **Methane** | | | | | |
| Direct GHG emission from operation | kg | **0.02** | **0.00** | 0.02 | 0.00 |
| Direct GHG emission from petroleum and diesel consumption | kg | **12.25** | **0.05** | 18.26 | 0.07 |
| **Total methane emissions** | kg | **12.26** | **0.05** | 18.27 | 0.07 |
| **Nitrous oxide** | | | | | |
| Direct GHG emission from operation | kg | **0.00** | **0.00** | 0.00 | 0.00 |
| Direct GHG emission from petrol and diesel consumption | kg | **45.57** | **0.17** | 61.45 | 0.23 |
| **Total nitrous oxide emissions** | kg | **45.57** | **0.17** | 61.45 | 0.23 |

*Notes:*

1. Emission factors were made reference to the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

2. Combined margin emission factor of 0.5703 tonne $CO_2$/MWh was used for purchased electricity in the PRC in 2024.

3. Emissions were calculated using the online tool provided by International Civil Aviation Organisation.

Most of the GHG emissions data for the Year witnessed decrease as compared to 1 January 2023 to 31 December 2023 (the "Last Corresponding Period"). The main reason for such result was the decrease in consumption of steam, petrol and diesel of the Group.

Apart from initiatives mentioned under the heading "Use of Resources" below, the Environmental Protection Policy also sets out measures to reduce GHG emissions, such as:

- formulating and implementing a policy for rewarding energy conservation and emission reduction;
- realizing the integration of factory automation and information to avoid energy waste;
- recommending employees to choose direct flights to reduce GHG emissions for necessary business trips;
- setting up charging stations to encourage employees to purchase electric vehicles; and
- continuing to strengthen the integration of the manufacturing execution system and automated equipment to conduct massive data analysis in real time to reduce the production costs and lower the level of energy emissions per person.

During the Year, the power generated by solar power station in our Group has decreased by approximately 70,146 kWh or 3.3% from approximately 2.14 million kWh for the Last Corresponding Period to approximately 2.07 million kWh for the Year.

By incorporating the policy initiatives above, the Group has set a target to reduce GHG emission intensity (unit per employee) gradually to 3% throughout the year ending 31 December 2025 ("FY2025") using the Year's results as a baseline.

Since implementing sustainable measures to replace fossil energy by electricity, approximately 55.2% of the total electricity consumed by the Group was generated by solar power station in the Group during the Year, compared to approximately 59.2% in the Last Corresponding Period. The following table sets out the total carbon dioxide emission in the past several years.

| | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Total carbon dioxide emissions (Unit: tonnes) | 1,913.48 | 1,309.58 | 1,961.84 | **1,920.32** |
| Intensity – Unit per million RMB turnover (Unit: tonnes) | 6.47 | 4.84 | 6.58 | **7.51** |

Looking forward, the Group will continue to adopt various measures to reduce carbon dioxide emissions, such as:

- increase the energy generated from photovoltaic technology;
- building energy storage power station in our Group in recent years;
- using more electric forklifts and electric vehicles.

*Waste management*

During the Year, the Group generated a small volume of waste, which includes hazardous waste and non-hazardous waste. The hazardous waste generated from the daily operations of the Group mainly consisted of containers and packaging bags of chemicals, whereas the non-hazardous waste included general unrecyclable waste and paper used for operation, sales and marketing purposes.

Hazardous waste produced

The consumption volume of the hazardous waste produced by the Group for the Year is as follows:

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| **Categories** | **Unit** | **Quantity** | **Intensity – Unit per employees** | Quantity | Intensity – Unit per employees |
| Containers of chemicals | tonnes | **2.2800** | **0.0084** | 0.0500 | 0.0002 |
| Packaging bags of chemicals | tonnes | **0.1900** | **0.0007** | 0.2850 | 0.0010 |
| Activated carbon | tonnes | **1.1870** | **0.0044** | 0.5850 | 0.0022 |

Non-hazardous waste produced

The consumption volume of the non-hazardous waste produced by the Group for the Year is as follows:

| **Categories** | **Quantity** | **Unit** | **Intensity – Unit per employee** |
|---|---|---|---|
| Paper | 1.65 | tonnes | 0.006 |
| General unrecyclable waste | 27.98 | tonnes | 0.095 |

During the Year, the Group engaged a professional hazardous waste management company to dispose of the Group's hazardous waste to avoid potential misplacement of hazardous waste. For non-hazardous waste, the general unrecyclable waste is handled by a local waste management company on daily basis. In addition, the paper carton containers are normally reused for temporary storage during the production process before being disposed of at landfills. These measures have successfully reduced the volume of the Group's hazardous and non-hazardous waste.

The changes of hazardous waste produced by the Group in 2024 and 2023 are as follows:

| | Unit | 2024 | 2023 | Changing Rate |
|---|---|---|---|---|
| Containers and packaging bags of chemicals | tonnes | **2.470** | 0.308 | 701.9% |
| Activated carbon | tonnes | **1.187** | 0.585 | 102.9% |
| Total | tonnes | **3.657** | 0.893 | 309.5% |

The total volume of hazardous waste decreased by approximately 309.5% compared to the Last Corresponding Period. The reason for the increase was the periodic disposal of expired chemical containers.

The Group aims to gradually reduce the hazardous waste intensity (tonnes per employee) throughout FY2025 by 5% using the Year's results as a baseline.

During the Year, the volume of paper and unrecyclable waste consumed by the Group was increased by approximately 0% and 12.3%, respectively, compared to the Last Corresponding Period. Temporary construction waste generated by the building retrofits in the Year account for the increase of unrecyclable waste.

## Use of Resources

The resources used by the Group were principally attributed to electricity, steam and water consumed at its production facilities and offices, and the petroleum and diesel consumed for transportation. The Group also used paper and plastic as the finished products' packaging materials. The Group endeavours to comply with the environmental laws and regulations to achieve efficient use of resources and to reduce waste and emissions. The Environmental Protection Policy encourages employees to reduce the use of resources and to promote efficient use of resources, some of the policies include:

- turning off unnecessary or unused lights and electronic appliances;
- using independent lighting and air-conditioning for different rooms;
- purchasing energy-efficient products and equipment;
- cleaning light fixtures and air conditioners regularly;
- increasing the rate of efficiency of automated equipment and the manufacturing execution system and replacing old equipment with new equipment that has higher energy saving features; and
- closely monitoring the utilisation of resources and reporting to senior management on this aspect of performance.

*Energy consumption*

The data of energy consumption which comprised the electricity and steam consumption in the production facilities, and the petroleum and diesel consumption from transportation for both the Year and the Last Corresponding Period are as follows:

| | **At the end of 2024** | | | At the end of 2023 | | |
|---|---|---|---|---|---|---|
| **Categories** | **Quantity** | **Unit** | **Intensity – Unit per employees** | Quantity | Unit | Intensity – Unit per employee |
| Electricity | **3,742,935** | **kWh** | **13,761** | 3,612,732 | kWh | 13,736 |
| – purchase from power plant | **1,674,977** | **kWh** | **6,158** | 1,474,629 | kWh | 5,607 |
| – generated from solar energy panels in the Group | **2,067,957** | **kWh** | **7,603** | 2,138,103 | kWh | 8,130 |
| Steam | **3,146** | **tonnes** | **11.57** | 3,476 | tonnes | 13.22 |
| Petroleum and diesel | **54,416** | **litre** | **200** | 86,075 | litre | 327 |

During the Year, the quantity of electricity consumed increased by approximately 3.6% comparing to the Last Corresponding Period. The increase in the consumption of electricity is mainly attributable to the following reasons: (1) The prolonged extreme in the East China region had necessitated a substantial rise in electricity expenditure on air conditioning to uphold optimal working conditions; (2) To support sustainable transportation, the company offers complimentary charging for staff-owned electric vehicles and bicycles. During the Year, the Company maintained solar power generation efficiency.

The Group strives to conserve energy in the workplace and has set a target to reduce total electricity consumption by 5% by FY2025, using the Year's results as a baseline. In order to achieve this, the following energy-saving measures have been adopted:

- Except for special circumstances, the Group's air conditioning may not be set at temperatures lower than 26°C in summer and higher than 20°C in winter;
- Mandate all employees to switch off all idle appliances, automated equipment and lighting when leaving the office;
- Use of photovoltaic technology.

*Water consumption*
The data for water consumption in the production facilities and the offices for the Year is as follows:

| **Categories** | **Quantity** | **Unit** | **Intensity – Unit per employee** |
|---|---|---|---|
| Water | 89,834 | tonnes | 330.27 |

The water consumed was purchased from a local water supplier with reliable water supply. The Group did not have any issue in sourcing water during the Year.

During the Year, the quantity of water consumed decreased by approximately 10.1% from the Last Corresponding Period. The decrease in the consumption of water is mainly attributable to the routine leak inspections on water pipes conducted by the company. During the Year, the Group set a target to achieve a 3% reduction in water consumption, using the results of the Last Corresponding Period as a baseline. In order to achieve this, the Group has been actively advocating the importance of water conservation to its employees and regularly inspecting water pipes every three months to detect and prevent leakages.

The Group aims to gradually reduce the water intensity (tonnes per employee) throughout FY2024 by 3% using the Year's results as a baseline.

*Packaging materials used*
The data for the use of packaging materials in the production facilities is as follows:

| **Categories** | **Quantity** | **Unit** | **Intensity – Unit per employee** |
|---|---|---|---|
| Paper carton container | 1,797 | tonnes | 6.61 |
| Plastic | 2,529 | tonnes | 9.30 |
| Total packaging materials used | 4,326 | tonnes | 15.91 |

## The Environment and Natural Resources

Due to the nature of the Group's business, apart from the above-mentioned emissions and resources consumption, the Group did not cause other significant impacts on the environment or natural resources during the course of its operations.

The Group has incorporated measures to minimise energy consumption and environmental pollution, such as adopting low energy consumption and pollution control techniques, implementing environmentally friendly methods of waste disposal, promoting the use of electric vehicles and e-bikes among employees and providing regular training to employees to increase their environmental awareness. The Group has also appointed a dedicated employee to closely monitor the Group's compliance with applicable laws and regulations, and to review and update the Environmental Protection Policy. Such employee is also responsible for regular reporting to the management team, who bears overall responsibility for overseeing environmental protection related matters within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deals with environmental pollution incidents when occurred.

## Climate Change

Climate change has posted serious threats to the environment and economy in the past decade. In response to the community's growing concern on climate change and its related issues, the Group formulated a Climate Change Policy, which outlines the Group's management on climate-related issues and commitment to climate change mitigation and adaption. In the meantime, the Group has taken initiatives to mitigate its carbon footprint by gradually reducing its GHG emissions.

During the Year, the Group conducted a climate-risk assessment exercise making reference to the recommendations under the Task Force on Climate-related Financial Disclosures' framework, to identify and assess the potential risks and opportunities for our operations.

The above assessment identified the following climate risks that might have a potential impact on the Group's business:

*Physical risks*
Changes in weather patterns such as level of precipitation or that in the temperature such as extreme heatwaves may adversely affect the Group's productivity. Rising temperatures have been impacting productivity in the PRC, where most factory production lines are not equipped with air conditioning, which enhances work comfort. As a result, the Group has been evaluating this climate-impact on its workforce's productivity rate and air-conditioned all of the production workshops to mitigate this risk. Taking into account of the risk of business interruptions by extreme weather, the Group also evaluated the impact on sensitive components in automated equipment and machinery deployed in its production lines. In the near future, the Group may consider investing in interior climate control for its production facilities to minimise the potential maintenance and repair costs required.

*Transition risks*
In view of the PRC government's commitments to achieve carbon-neutral by 2060, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet the carbon emission reduction targets and net-zero ambitions. Thus, higher operating costs are expected due to the replacement of equipment that comply with the future implementation of such policies and regulations. In an attempt to reduce carbon emissions, we have adopted locally and globally recognised standards for production and procured energy-saving equipment across our operations. In addition, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change and is prepared to alert senior management of potential cost increments, fines for non-compliance and the associated reputational risks.

## B. SOCIAL

### Employment and Labour Practices

The Group stringently complies with the national and local laws and regulations concerning employment and labour practices, including but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law of the PRC on the Protection of Rights and Interests of Women;
- Law of the PRC on the Protection of Minors;
- Law of the PRC on the Protection of Disabled Persons;
- Trade Union Law of the PRC;
- Social insurance Law of the PRC;
- Regulation on Paid Annual Leave for Employees; and
- Provisions on the Prohibition of Using Child Labour.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Year.

The Group believes that its employees are the most valuable assets as they contribute significantly to the Group's success. Accordingly, the Group attaches great importance to employees' rights and welfare in order to maintain good labour relationships and promote employee loyalty. The Group has adopted comprehensive human resources policies to manage its employment and labour relationships. The policies outlined compensation, working hours, rest periods, and other benefits and welfare for the employees of the Group and in compliance with applicable laws and regulations. The Group provides competitive employee benefits and comprehensive training programs to encourage employees to meet their potential and put their skills to good use. Furthermore, the Group regularly holds staff activities to enhance employees' sense of belonging and to foster a friendly and harmonious working environment.

*Employment*

As of 31 December 2024, the Group has a total number of 272 (2023: 263) employees, all being PRC-based full-time employees. The age and gender distributions of our employees as of 31 December 2023 are as follows:

| | Under 30 | 30–50 | Above 50 | Male | Female | Percentage |
|---|---|---|---|---|---|---|
| | | | (%) (approximately) | | | |
| Age | 8.4 | 74.1 | 17.5 | N/A | N/A | 100 |
| Gender | N/A | N/A | N/A | 36.9 | 63.1 | 100 |

The age and gender distributions of our employees as of 31 December 2024 are as follows:

| | Under 30 | 30–50 | Above 50 | Male | Female | Percentage |
|---|---|---|---|---|---|---|
| | | | (%) (approximately) | | | |
| Age | 9.6 | 72.1 | 18.4 | N/A | N/A | 100 |
| Gender | N/A | N/A | N/A | 36.4 | 63.6 | 100 |

In accordance with the Labour Laws of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations, the Group has been strictly managing employment related matters and established the Measures Governing Employment and Appointment to safeguard the legitimate rights and interests of our employees.

| | **Employee Turnover Rate as of 31 December 2024** (Approximately) |
|---|---|
| Total turnover rate | 10.7% |
| **By Gender** | |
| Male | 11.1% |
| Female | 10.4% |
| **By Age Group** | |
| Under 30 | 15.4% |
| 30–50 | 10.2% |
| Above 50 | 10.0% |
| **By Geographical Region** | |
| The PRC | 10.7% |

When hiring new employees, the Group gives equal opportunities to applicants of all nationalities, races, genders, age groups or background. The Group strives for equality at work with a view to avoiding discrimination or unfair treatment of any kind. For example, as at 31 December 2024, we have 4 disabled employees and 10 minority employees. We aim to create a friendly working environment where people of different values and backgrounds can work with vitality and apply their capabilities to the fullest.

The average weekly working hours of the Group's employees do not exceed 40 hours and their daily working hours do not exceed eight hours. The Group also limited overtime work to less than 36 hours a month. During the Year, there were no labour disputes caused by violation of laws and regulations.

Our employees are regarded as the most valuable assets of the Group as they are the driving force behind the continuous innovations of the Group. The Group rewards and recognises high-performing employees by providing competitive remuneration packages, implementing a sound performance appraisal system with appropriate incentives, promoting career development and progression, and providing comprehensive training. In order to maintain a fair working environment and safeguard the well-being of employees, the Group welcomes opinions and suggestions from employees to enhance workplace productivity, unity, and harmony.

During the Year, the Group strictly complied with the applicable laws and regulations in the PRC, and strictly enforced the relevant administrative rules and measures adopted by the Group. These rules and regulations have set out the requirements in relation to employment, labour relationships, employees' remunerations and welfare to protect the rights of employees.

During the Year, the Group also strictly complied with the laws, regulations and policies regarding the Social Insurance Law of the PRC. The Group has paid social insurances and housing funds in a timely manner for all employees.

*Health and safety*

The Group is committed to protect employees' health and safety. Not only has the Group been complying with the applicable laws and regulations in the PRC with respect to occupational health and safety, the Group has also successfully acquired the qualification of the internationally applied occupational health and safety management system of OHSAS 18001:2007. Moreover, the Group has been focusing on providing a safe workplace to employees, for which the Group has been accredited since 2012 by a certification body recognized by the AQSIQ, which attests a high workplace safety standard. In 2020, air conditioning units were installed in all workshops. Moreover, the Group provides its employees with annual health and medical welfare with the belief that good welfare can build a solid foundation for the safe operations of the Group.

During the Reporting Year, the Group complied with relevant laws and regulations, such as the Law of the PRC on the Prevention and Control of Occupational Diseases, Fire Protection Law of the PRC, and Law on Safety Production. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

| | **2024** | 2023 | 2022 |
|---|---|---|---|
| Number of work fatalities | **0** | 0 | 0 |
| Number of work fatalities | **0%** | 0% | 0% |

No work-related fatality occurred in our production workshops during the past 3 years. Accordingly, the Group's total fatality rate during the Year was nil. There was no work-related injuries happened in the Year. To prevent work-related fatalities and injuries, evaluations were performed by the Group and a number of remedial and preventive measures have been taken as follows:

- Adopt and enforce safe operation procedures at workshop production sites;
- Increase participation of top management in safety patrols to at least twice a month;
- Take stringent action against any employee who fails to comply with the safety requirements (e.g., warning letter, termination of employment, or suspension from employment);
- Conduct daily inspections and briefings before commencement of workshop production facilities and increasing use of automated devices and equipment;
- Full-time supervisor to stand-by at the production sites to monitor and coordinate the workforce's activities;
- Conduct training on safety work method and operation of automated devices and equipment;
- Conduct monthly reviews with safety committee on training and work processes briefing with employees.

*Development and training*

Skilled employees who are capable of meeting the demands of the dynamic industry are crucial to the success of the Group. Hence, providing comprehensive training is critical to improve the overall work performance and personal development of the employees. The Group has been optimising the employee training management system, and has established a multi-level training system, and created various learning opportunities for the employees. The Group is of the belief that these measures could enhance the employees' competence, problem-solving skills, technical knowledge and overall performance. The Group also encourages employees to identify their personal development objectives and encourage them to grow together with the Group. In 2019, the staff members of the household hygiene products workshop were recognized as Jiangsu Pioneer Workers* (工人先鋒號) by the Jiangsu Federation of Trade Unions* (江蘇總工會) for their work performance. In 2020, the Group was awarded as a Five Star Working Committee for the Younger Generation* (五星級關工委) by the Jiangyin government. In 2021, the Group was awarded as the "Wuxi's Excellent Popular Science Education Base*" (無錫市優秀科普教育基地) by the Wuxi Scientific and Technological Committee* (無錫市科學技術委員會). In 2023, the Group was awarded as Jiangsu Model tiny Worker's Home* (江蘇模範職工小家) by the Jiangsu Federation of Trade Unions* (江蘇總工會).

The Group provides introductory training for new employees, where experienced employees act as their mentors. This arrangement has enhanced the communication among employees, encouraged team spirit at the workplace, improved the technical skills and managerial capability of the employees, and promoted the concept of continuous learning. The training has been customised in accordance with the roles and responsibilities of the employees, who have mainly been provided trainings in areas such as human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, and occupational health and safety, etc. The Group also provides updates on the latest industry trends and the laws and regulations which are relevant to the Group's operations or to the employees' job responsibilities.

During the Year, the Group held 59 training sessions on employee's skill, finance, management, safety and health, compliance and ethics, etc. In total, approximately 98.5% of the employees of the Group participated and the average annual training time per employee is 8.5 hours in the training sessions. The percentage of employees trained by gender and employee category are as follows:

| | Percentage of employees trained (%) | Average training hour |
|---|---|---|
| **By Gender** | | |
| Male | 98.0% | 7.8 |
| Female | 98.3% | 7.6 |
| **By Employment Category** | | |
| Management | 100% | 36.2 |
| Administrative Staff | 100% | 8.7 |
| Technical Workers | 98.2% | 6.9 |

*Labour standards*

The Group strictly observes relevant laws and regulations such as the Labour Law of the PRC, the Labour Contract Law of the PRC, and the Provisions on the Prohibition of Using Child Labour. The Group has established policies relating to child labour and forced labour prevention.

The Group has adopted a recruitment management system, which requires verification of applicant's identity and age during the recruitment process, and prohibits forced labour and the recruitment of child labour. Every applicant is also required to provide documented proof of academic qualifications and working experience for verification purposes. Any applicant who is suspected to have falsified his or her academic qualifications or working experience will not be employed by the Group. From time to time, background checks on job candidates will be requested by the Group, when considered appropriate.

If an employee suspects that a colleague's employment constitutes child or forced labour, the employee should report to the head of the department or the Group's Executive Directors. Once the Group discovers any employment to have failed to conform to the relevant labour laws, regulations or standards, the relevant employment contract will be terminated immediately.

The Group provides its employees with a safe, healthy and comfortable working environment with adequate labour protection, equitable and competitive remuneration and welfare. The Group was awarded "Model Work Home*" (模範員工之家) in 2019 by Jiangyin Federation of Trade Unions* (江陰市總工會). In 2023, the Group was awarded as Jiangsu Model tiny Worker's Home* (江蘇模範職工小家) by the Jiangsu Federation of Trade Unions* (江蘇總工會).

The Group enters into employment contracts with its employees in accordance with the applicable laws and regulations in the PRC.

## Operating Practices

*Supply chain management*

To provide top quality services to customers, the Group carefully sourced its raw materials, packaging materials and equipment with standardised procurement policies (the "Procurement Policies"). The Procurement Policies and the Group's comprehensive procurement management systems aim to screen out undesirable raw materials, packaging materials and equipment, and to enhance product formulation, product packaging, quality management system in factories, and transportation, etc.

Suppliers of raw materials, packaging materials and equipment have been selected based upon rational and clear criteria, such as business reputation, technical skills, quality consistency, and the supplier's compliance with national and/or industrial standards. The goal is for the Group to procure superior goods and services from the most competitive suppliers. Apart from sourcing, conducting proper risk management is equally important to the Group. Anticipating and mitigating the impact of an unexpected interruption in the delivery of goods and materials can keep the Group running smoothly.

The Group's research and development department sets out product specifications for the suppliers to follow, while the quality control department performs sample tests to ensure that goods and materials received by the Group are of desirable quality and in compliance with the requested specifications before they are accepted and transferred to the warehouse.

ESG considerations in supply chain management

Apart from requiring its suppliers to comply with local regulations, the Group takes into consideration their environmental and safety performance. We aspire to involve suppliers in the implementation of our environmental objectives. In order to minimise the adverse effect of pollution and waste on the surrounding environment, the Group's suppliers must conduct environmental impact assessments. Furthermore, we promote environmentally responsible purchasing through the adoption of sustainable and responsible selection criteria whenever applicable.

During the Year, the Group had a total of 298 approved supplier, including 297 in the PRC, 3 in abroad. All the top five suppliers have completed the 2023 annual environmental and social risks assessments, and no material environmental and social risks were found for any of the suppliers.

*Product responsibility*

The Group strictly follows applicable laws and regulations such as the Advertising Law of the PRC, Trademark Law of the PRC and Anti-unfair Competition Law of the PRC. No non-compliance with relevant laws and regulations relating to product labelling and advertising that have a significant impact on the Group had been identified during the Reporting Year.

The Group aims to achieve the highest possible standard for all the products sold. The Group has established product responsibility policies to assure product quality and safety (the "Product Responsibility Policies"). To ensure adherence to the Product Responsibility Policies, the Group has set up a dedicated quality control department with 12 employees. To further strengthen product quality control, the company appointed a new head of the Quality Department in 2024. They collaborate with the Group's research and development department, procurement department, and production and warehousing department to ensure that the products are of high quality and in compliance with all legal and regulatory requirements pertaining to the health and safety, and other matters related to the Group's products. In 2020, 2 employees of the quality control department were awarded by the Jiangyin Working Committee for the care of next generation* (江陰市關心下一代委員會) in recognition of their excellent work.

The Group sends its products to independent product quality supervision and testing institutions for testing on an annual basis before new products are introduced to the market. In addition, to ensure the safety and efficacy of the oral care products, the Group has engaged several reputable medical institutions to conduct clinical studies, toxicity tests and irritation tests on its oral care products. The test results demonstrated that the Group's oral care products could effectively suppress and prevent various oral problems and that the products would be safe for ordinary use by consumers.

The Group has obtained and maintained the necessary permits, licenses and approvals such as the National Industrial Product Manufacturer Licensing Certificates* (全國工業品生產許可證) and Disinfectant Products Manufacturer Licensing Certificates* (消毒產品生產許可證). It also maintains quality control of the design, development and production procedure of its products in conformity with the internationally applied quality management systems requirement – ISO 9001:2008. The Group was accredited by the certification body recognised by AQSIQ since 2003. The certifications demonstrate that the quality control system has met a high degree of assurance.

During the Year, no products sold or shipped were subject to recalls for safety and health reasons. One complaint was received for the products sold. The complaint was received via telephone in relation to delays of shipment and damaged products in transit. The Group replaced the damaged goods and followed up accordingly with the shipment's status to take remedial action. During the Year, there was no material claim or complaint brought against the Group by customers and the costs incurred rectifying the defective products were immaterial.

The Group recognises that the quality of the products is crucial to the goodwill and image of the brand. The sales department and quality control department of the Group are responsible for processing any comments and/or complaints from customers. The Group highly values the feedback from the customers with regards to its products. The Group has implemented after-sales services, such as customer service hotlines, manuals on handling customers' complaints and follow-up procedures. The Group generally deals with and processes the complaints in cooperation with relevant distributors or retailers and provides replies and solutions within 5 days.

Protection of intellectual property

As at 31 December 2024, the Group has registered 148 and 8 trademarks in the PRC and in Hong Kong respectively. By the end of 2023, the Group has 106 valid patents, including 24 invention patents. The Group regularly assesses whether intellectual property rights are being infringed upon by third parties.

Data privacy protection

The Group recognises that the protection of confidential information is the key to its success, therefore protecting confidential data and customers' privacy is always a top priority of the Group. All confidential data relating to the Group's business and customer's information are securely protected and only used for internal purposes. Any unauthorized or unlawful disclosure of confidential information to third parties is strictly prohibited.

*Anti-corruption*

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

The Group is a strong believer in upholding high ethical standards. It has strictly complied with the applicable laws and regulations in the PRC in relation to bribery, extortion, fraud and money laundering, including , but not limited to, those having a significant impact on the Group, such as the Criminal Law of the PRC. The Group is committed to conducting all of its business in an honest and ethical manner, thereby acting professionally, fairly and with integrity in all its business dealings and relationships. Bribery and corruption are strictly prohibited as stated in the Group's Anti-bribery and Corruption Policy which covers bribes, gifts and hospitality, facilitation payments etc. The policy applies to all employees at all levels, including senior managers, officers, trainees, to name a few. Moreover, the employees are encouraged to provide comments and suggestions and lodge inquiries regarding the policy via the human resources and administrative department or senior management.

The Group requires employees to strictly conform to the code of business ethics developed by the Group and it strives to put any corruption bribery act to an end as stipulated in the employment contract and the relevant policies of the Group. Any conflict of interest must be reported to the Group's management. Employees who engage in business operations and represent the Company are strictly prohibited to use business opportunities or the inherent power of their positions for personal interest or benefit.

Whistle-blowing policy

A whistle-blowing policy has been adopted to encourage and allow employees to raise concerns about procedural improprieties relating to financial reporting, compliance and other malpractices at the earliest opportunity. The audit committee of the Board has the overall responsibility for the policy and has delegated day-to-day responsibility of overseeing and implementing such policy to the finance manager of the Group. If any employee in good faith reasonably believes that there are malpractices at the workplace, he/she should report immediately to his/her supervisor within the department. The supervisor should then escalate the concerns in writing to the finance manager upon receiving such reports from the Group's employees. All reports are treated as confidential and the Group makes every effort to preserve the anonymity of the reporting employee.

To strengthen the understanding of relevant applicable laws and regulations, training regarding ethical business conduct covering topics such as integrity, discipline, confidentiality and conflict of interest has been provided to senior management. The Board has also received external training on material topics, such as corporate governance as well as connected and notifiable transactions. All directors of the Group have completed anti-corruption training, with an average training of approximately 2.5 hours.

## Community

*Community investment*

The Group always seeks to be a positive force in the communities in which it operates. It strives to maintain close interaction with these communities to make contributions to their development.

The Group believes that the creation of a peaceful community relies on the cooperation among people, corporations and the government. By working together with various community partners, the Group believes it can bring a tremendous impact on the sustainable development of the communities in which it operates.

*Activity highlights in the reporting year*

| **Events** | **Details** |
|---|---|
| Disaster Relief Materials Donation | Donated products with an estimated value of RMB414,165 to Earthquake-affected areas in Gansu Province (甘肅地震災區) |
| Annual Faculty Fellowship | Donated RMB100,000 to retired prominent scholars who had made outstanding contributions to the FE technology |
| Sponsoring Sport Activities | Donated RMB48,635 to Jiangyin Marathon |
| East-West Pairing Assistance | Donated oral care products with an estimated value of more than RMB6,800 to Zhenping Town, Ankang City, Shanxi Province |
| Other public welfare activities | Donated RMB28,000 to Charity Federation and Church |

The Group will actively encourage employees to volunteer their time and skills to benefit the community. The Group had established a series of welfare such as paid leave and bonus to encourage the Group's employees to take part in voluntary blood donation. This gives employees the opportunity to learn more about the social and environmental concerns, and improves their understanding of the Group's corporate values.

The Group will consider to make donations to charitable organisations whenever the Group records significant profit after tax deductions and possesses sufficient cash flow.

* *English names are translated for identification purpose only*

# Independent Auditor's Report

SHINEWING (HK) CPA Limited
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皇室大廈安達人壽大樓17樓

## TO THE MEMBERS OF CHINA GOLDEN CLASSIC GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Golden Classic Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 78 to 135, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements 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.

## KEY AUDIT MATTERS (Continued)

### Valuation of inventories

Refer to note 18 to the consolidated financial statements and the accounting policies on page 122.

**The key audit matter**

We have identified valuation of inventories as a key audit matter because the Group has significant amount of inventories of approximately RMB29,566,000 representing 17% of the Group's current assets as at 31 December 2024.

The management of the Group reviews ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions.

**How the matter was addressed in our audit**

Our audit procedures were designed to assess the judgement and assumptions used by the management in calculating the inventory provisions. We reviewed management's identification of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow-moving and obsolete items. When considering management's assessment, we have also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories.

We have challenged the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reliability of management's assessment by considering the utilisation or release of previously recorded provisions and the net realisable value for all classes of inventories.

### Expected credit loss (the "ECL") of trade and other receivables

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 122 to 123.

**The key audit matter**

We have identified ECL of trade and other receivables as a key audit matter because the Group has significant amount of trade and other receivables of approximately RMB63,968,000 representing 36% of the Group's current assets as at 31 December 2024.

The measurement of impairment losses under expected credit loss ("ECL") model across trade and other receivables requires management judgement, in particular, the impairment calculation adopted by the Group is based on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. ECL are assessed collectively using a provision matrix with appropriate groupings.

The allowance for impairment of trade and other receivables is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management.

**How the matter was addressed in our audit**

Our audit procedures were designed to review the management's assessment of the ECL and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.

We have considered element of the ECL model that affect the judgements and estimates, including historical default data, and criteria for assessing determination of forward-looking information.

We have assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising loss allowances.

## OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

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.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 partner on the audit resulting in this independent auditor's report is Chan Wing Kit.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Chan Wing Kit**
Practising Certificate Number: P03224

Hong Kong
26 March 2025

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2024*

| | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Revenue | *7* | **261,297** | 292,009 |
| Cost of sales | | **(171,811)** | (182,453) |
| Gross profit | | **89,486** | 109,556 |
| Other income and gain, net | *8* | **4,656** | 4,991 |
| Selling and distribution costs | | **(38,756)** | (49,830) |
| Administrative expenses | | **(52,196)** | (56,589) |
| Finance costs | *9* | **(181)** | (478) |
| Profit before tax | | **3,009** | 7,650 |
| Income tax expenses | *10* | **(40)** | (589) |
| Profit for the year | *11* | **2,969** | 7,061 |
| Other comprehensive (expense) income for the year | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference arising on translation of foreign operations | | **(535)** | 1,421 |
| Total comprehensive income for the year | | **2,434** | 8,482 |
| Earnings per share | | | |
| – Basic and diluted (RMB cents) | *13* | **0.30** | 0.71 |

# Consolidated Statement of Financial Position

*As at 31 December 2024*

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **138,336** | 148,894 |
| Right-of-use assets | *16* | **19,580** | 17,935 |
| Intangible assets | *17* | **–** | – |
| Deposits paid for acquisition of property, plant and equipment | | **371** | 2,762 |
| Deferred tax assets | *24* | **447** | 230 |
| | | **158,734** | 169,821 |
| **Current assets** | | | |
| Inventories | *18* | **29,566** | 29,225 |
| Trade and other receivables | *19* | **63,968** | 64,865 |
| Financial assets at fair value through profit or loss ("FVTPL") | *20* | **–** | 1,075 |
| Pledged bank deposits | *21* | **725** | 5,645 |
| Cash and cash equivalents | *21* | **82,120** | 77,932 |
| | | **176,379** | 178,742 |
| **Current liabilities** | | | |
| Trade and other payables | *22* | **37,298** | 49,471 |
| Dividend payable | | **–** | 117 |
| Contract liabilities | *22* | **25,882** | 26,560 |
| Lease liabilities | *16* | **1,958** | 1,422 |
| Tax payable | | **805** | 2,311 |
| Bank borrowing | *23* | **5,000** | 5,000 |
| | | **70,943** | 84,881 |
| Net current assets | | **105,436** | 93,861 |
| **Total assets less current liabilities** | | **264,170** | 263,682 |
| **Non-current liabilities** | | | |
| Lease liabilities | *16* | **1,854** | – |
| | | **262,316** | 263,682 |
| **Capital and reserves** | | | |
| Share capital | *25(a)* | **8,606** | 8,606 |
| Reserves | | **253,710** | 255,076 |
| | | **262,316** | 263,682 |

The consolidated financial statements on pages 78 to 135 were approved and authorised for issue by the board of directors on 26 March 2025 and are signed on its behalf by:

| | |
|---|---|
| **Ms. Li Qiuyan** | **Mr. Tong Xing** |
| *Director* | *Director* |

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2024*

| | Share capital RMB'000 *Note 25(a)* | Share premium RMB'000 *Note 25(b)(i)* | Capital reserve RMB'000 *Note 25(b)(iii)* | PRC statutory reserves RMB'000 *Note 25(b)(ii)* | Translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2024 | **8,606** | **69,386** | **15** | **42,898** | **3,219** | **139,558** | **263,682** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **2,969** | **2,969** |
| Other comprehensive expense for the year: | | | | | | | |
| Exchange difference arising on translations of foreign operations | **–** | **–** | **–** | **–** | **(535)** | **–** | **(535)** |
| Total comprehensive (expense) income for the year | **–** | **–** | **–** | **–** | **(535)** | **2,969** | **2,434** |
| Dividend recognised as distribution *(Note 12)* | **–** | **(3,800)** | **–** | **–** | **–** | **–** | **(3,800)** |
| As 31 December 2024 | **8,606** | **65,586** | **15** | **42,898** | **2,684** | **142,527** | **262,316** |

| | Share capital RMB'000 *Note 25(a)* | Share premium RMB'000 *Note 25(b)(i)* | Capital reserve RMB'000 *Note 25(b)(iii)* | PRC statutory reserves RMB'000 *Note 25(b)(ii)* | Translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 | 8,606 | 74,386 | 15 | 42,898 | 1,798 | 132,497 | 260,200 |
| Profit for the year | – | – | – | – | – | 7,061 | 7,061 |
| Other comprehensive income for the year: | | | | | | | |
| Exchange difference arising on translations of foreign operations | – | – | – | – | 1,421 | – | 1,421 |
| Total comprehensive income for the year | – | – | – | – | 1,421 | 7,061 | 8,482 |
| Dividend recognised as distribution *(Note 12)* | – | (5,000) | – | – | – | – | (5,000) |
| As 31 December 2023 | 8,606 | 69,386 | 15 | 42,898 | 3,219 | 139,558 | 263,382 |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2024*

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **3,009** | 4,650 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **19,392** | 19,861 |
| Depreciation of right-of-use assets | **2,318** | 2,321 |
| Finance costs | **181** | 478 |
| Loss (gain) on disposal of property, plant and equipment | **33** | (115) |
| Fair value changes on financial assets at FVTPL | **1,075** | 1,839 |
| Bank interest income | **(1,360)** | (907) |
| Impairment loss on inventories | **369** | 2,565 |
| Government grants | **(710)** | (1,104) |
| Operating cash flows before changes in working capital | **24,307** | 32,588 |
| (Increase) decrease in inventories | **(710)** | 3,575 |
| Decrease (increase) in trade and other receivables | **168** | (124) |
| Decrease in trade and other payables | **(12,228)** | (11,062) |
| (Decrease) increase in contract liabilities | **(678)** | 5,677 |
| Cash generated from operations | **10,859** | 30,654 |
| Income taxes paid | **(1,763)** | (831) |
| **NET CASH FROM OPERATING ACTIVITIES** | **9,096** | 29,823 |
| **INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment | **(6,373)** | (14,272) |
| Deposits paid for acquisition of property, plant and equipment | **(51)** | (324) |
| *Repayment from (advanced to) loans to employees (note 19)* | **499** | (454) |
| Purchase of financial assets at FVTPL | **–** | (3,000) |
| Proceeds on disposal of financial assets at FVTPL | **–** | 3,210 |
| Withdrawal of pledged bank deposits | **5,645** | 10,653 |
| Placement of pledged bank deposits | **(725)** | (5,645) |
| Interest received | **1,360** | 907 |
| Proceeds from disposal of property, plant and equipment | **3** | 192 |
| **NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES** | **358** | (8,733) |

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Bank borrowing raised | **5,000** | 10,000 |
| Government grants received | **710** | 1,104 |
| Repayment of bank borrowing | **(5,000)** | (20,000) |
| Repayment of lease liabilities | **(1,573)** | (1,848) |
| Interest paid | **(181)** | (478) |
| Dividend paid | **(3,917)** | (4,883) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(4,961)** | (16,105) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **4,493** | 4,985 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **77,932** | 73,011 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(305)** | (64) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR,** represented by bank balances and cash | **82,120** | 77,932 |

## 1. GENERAL

China Golden Classic Group Limited (the "Company") is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and trading of oral care, leather care and household hygiene products.

The Company was incorporated in the Cayman Islands on 29 July 2015 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office and principal place business is Flat B, 19/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong. The Company's share were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The immediate holding company and the ultimate controlling party of the Company is ChongBo Mary Investment Limited, a company incorporated in the British Virgin Islands (the "BVI") and Ms. Li Qiuyan ("Ms. Li"), an executive director of the Company, respectively.

The functional currency of the Company and the Group's principal subsidiaries is Renminbi ("RMB"). As the Group mainly operates in the People's Republic of China (the "PRC"), the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 January 2024:

| | |
|---|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 18 | Presentation and Disclosure in Financial Statements[3] |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures[3] |
| Amendments to HKAS 21 | Lack of Exchangeability[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments[2] |
| Amendments to HKFRS Accounting Standards | Annual Improvements to HKFRS Accounting Standards – Volume 11[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 9 and HKFRS 7 | Contracts Referencing Nature-dependent Electricity[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 periods beginning on or after 1 January 2027
4 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets that are measured at fair values, at the end of the each reporting period. Historical cost is generally based on the fair value of the consideration given exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Detail of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over investee to affect the amount of the Group's returns.

The Company reassesses whether it controls an investee if facts and circumstances indicates that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profits or loss and other comprehensive income from the date the Group gains control and until the date when the Group ceases to control the subsidiary.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Revenue from contract with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies as performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customers obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with customers, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Revenue from contract with customers (Continued)

*Contract liabilities*
A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group manufactures and sells a range of oral care products, leather care products and household hygiene products to external customers.

Revenue from sale of goods is recognised at the point when control of the products has been transferred being when the products are delivered to the customer's designated location and the customers have inspected and accepted the products. Customers have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group typical receives a deposits on acceptance of sale order giving rise to a contract liability until the customer obtains control of the goods.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sales, Because of the large size and low value of each individual product, the amounts of the products retuned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for good return was recognised. The validity of this assumption and the estimated amount of returns are reassessed to each reporting date.

*Consideration payable to a customer*
Consideration payable to a customer includes rebate for promotional activities at customers' location that the Group pays, or expects to pay, to the customer. Consideration payable to a customer also includes credit or other items that can be applied against amounts owed to the Group. The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue as the payment is not exchange for distinct good or service that the customer transfers to the Group. The Group recognises such reduction of revenue when (or as) the later of either of the following events occurs:

- The Group recognises revenue for the transfer of the related goods or services to the customer; and
- The Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Leasing

*Definition of a lease*
The contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of the time in exchange for consideration.

*The Group as lessee*
For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities
At the commencement date of a lease, the Group measures lease liability at the present value of the lease payments that are not paid at the date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and

- the exercise price of purchase options if the lessee is reasonably certain to exercise the options.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Leasing (Continued)

*The Group as lessee (Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

*The Group as lessor*

The Group enters into lease agreements as a lessor with respect to some of its equipments and buildings. Leases for which the Group is lessor are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the financial currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of the Group's foreign operation are translated into the presentation currency of the Company (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulate din equity under the heading of translation reserve.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Research and development expenditure

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

### Retirement benefits costs

Payments to the PRC local government defined contribution retirement scheme pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme (the "MPF" Scheme) are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

*Ownership interests in leasehold land and buildings*
When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production supply or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

When inventories are sold, the carrying amount of those inventories is recognised as cost of goods sold in the period in which the related revenue is recognised. The amount of any impairment loss on inventories to net realisable value and all losses of inventories are recognised as an expense in the period the impairment loss occurs. The amount of any reversal of any impairment loss on inventories is recognised as a reduction in the amount of inventories recognised as an expenses in the period in which the reversal occurs.

### Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

### Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group's financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

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.

*Financial assets at amortised cost (debt instruments)*
The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income and gain, net" line item (note 8).

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial assets (Continued)

*Financial assets at FVTPL*
Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instrument that do not meet amortised cost criteria or the FVTOCI criteria are classified as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gain, net" line item.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

*Impairment of financial assets*
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial assets (Continued)

*Impairment of financial assets (Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term pay, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial assets (Continued)

*Impairment of financial assets (Continued)*

Definition of default

The Group considers the followings as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one to two years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two to three years past due. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial assets (Continued)

*Impairment of financial assets (Continued)*

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Financial liabilities and equity instruments

*Classification as debt or equity*
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

*Financial liabilities*
The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effect interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any. The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating units, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### Fair value measurement

When measuring fair value, except for the Group's leasing transactions, net realisable value of inventories and value in use of asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumption about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Continued)

### Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Ownership of the buildings*
Despite the Group has paid the full purchase consideration as detailed in note 15, formal titles of certain of the Group's buildings were not yet granted from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair value of the relevant assets and the ownership of the buildings to the Group.

### Key sources of estimation uncertainty

The followings are 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 years.

*Estimated allowance for inventories*
The management of the Group reviews an aged analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions. As at 31 December 2024, the carrying amounts of inventories were approximately RMB29,566,000 (2023: RMB29,225,000), net of impairment loss on inventories of RMB7,134,000 (2023: RMB6,765,000).

*Impairment loss of trade receivables*
The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL are assessed collectively using a provision matrix with appropriate groupings. As 31 December 2024, the carrying amount of trade receivables is approximately RMB33,760,000 (2023: RMB37,005,000), net of impairment loss of RMB223,000 (2023: RMB223,000).

*Impairment loss of other receivables*
In determining whether there is objective evidence of impairment loss, the Group takes into consideration the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

As at 31 December 2024, the carrying amount of the Group's other receivables amounted to RMB1,717,000 (2023: RMB2,138,000), net of impairment loss of RMB660,000 (2023: RMB660,000). No provision for ECL for other receivables has been recognised for the years ended 31 December 2024 and 2023.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Continued)

### Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The estimation of useful lives impacts the level of annual depreciation expenses recorded. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

As at 31 December 2024, the carrying amount of property, plant and equipment was RMB138,336,000 (2023: RMB148,894,000). No impairment loss recognised during the years ended 31 December 2024 and 2023.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the reporting period.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues. The directors of the Company will also consider the raise of additional borrowings as additional capital.

The directors of the Company also endeavour to ensure the steady and reliable cash flows from the normal business operation.

## 6. FINANCIAL RISK MANAGEMENT

### (a) Categories of financial instruments

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Financial assets** | | |
| Financial assets at amortised cost (including cash and cash equivalents) | **118,322** | 122,720 |
| Financial assets at FVTPL | **–** | 1,075 |
| | **118,322** | 123,795 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **38,594** | 50,911 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, bank borrowing and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, market risk (interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Credit risk*

Credit risk refers to the risk that the Groups counterparties default on their contractual obligation resulting in financial losses to the Group. As at 31 December 2024, the Group's maximum exposure to credit risk without taking in to account any collateral held or other credit enhancement, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from cash and cash equivalents and trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In additions, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk (Continued)*

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significant reduced.

For the non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2024, the Group has concentration of credit risk as 22% (2023: 12%) and 38% (2023: 26%) of the total trade receivables was due from the Group's largest customer and top five customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 88% (2023: 87%) of the total trade receivables as at 31 December 2024.

The Group's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising ECL** |
|---|---|---|
| Performing | For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1) | 12-month ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2) | Lifetime ECL – not credit impaired |
| Default | Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL – credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk (Continued)*

The Group's exposure to credit risk

The credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are as follows:

| | Internal credit rating | 12-month or lifetime ECL | 2024 Gross carrying amount RMB'000 | 2024 Loss allowance RMB'000 | 2024 Net carrying amount RMB'000 | 2023 Gross carrying amount RMB'000 | 2023 Loss allowance RMB'000 | 2023 Net carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|---|
| Trade receivables | *(Note a)* | lifetime ECL (not credit-impaired) | **33,983** | **(223)** | **33,760** | 37,228 | (223) | 37,005 |
| Other receivables | Performing *(Note b)* | 12-month ECL | **1,717** | **–** | **1,717** | 2,138 | – | 2,138 |
| | Default *(Note c)* | lifetime ECL (credit-impaired) | **660** | **(660)** | **–** | 660 | (660) | – |
| Pledged bank deposits | Performing *(Note b)* | 12-month ECL | **725** | **–** | **725** | 5,645 | – | 5,645 |
| Bank balances and cash | Performing *(Note b)* | 12-month ECL | **82,120** | **–** | **82,120** | 77,932 | – | 77,932 |

*Notes:*

a. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by the past due status of trade receivables. (see note 19 for details).

b. As at 31 December 2024 and 2023, the credit rating of other receivables, pledged bank deposits and bank balance and cash is performing and the expected loss rate is assessed to be close to zero and the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Thus, no loss allowance has been made.

c. For the certain other receivables with gross amounts of RMB660,000 (2023: RMB660,000) is classified as either high risk or doubtful respectively as the credit quality has deteriorated and all of them are credit-impaired.

The carrying amount of the Group's financial assets at FVTPL as disclosed in note 20 best represents its respective maximum exposure to credit risk. The Group holds no collateral over any of this balance.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Market risk*

Interest rate risk

The Group is mainly exposed to fair value interest rate risk in relation to fixed-rate bank borrowing, cash flow interest rate risk in relation to variable rate bank balances and variable rate bank borrowing. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate quoted form the China Foreign Exchange Trade System & National Interbank Funding Center.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable rate bank borrowing and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 100 basis points (2023: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 100 points higher/lower and all other variables were held constant:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Increase/(decrease) in profit after tax for the year: | | |
| As a result of increase in interest rate | **656** | 662 |
| As a result of decrease in interest rate | **(656)** | (662) |

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The Group relies on bank borrowing as a significant source of liquidity. As at 31 December 2024, the Group has available unutilized short-term revolving bank facilities of approximately RMB80,000,000 (2023: RMB80,000,000). Details of which are set out in note 23.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

| | **Weighted average interest rate** | **On demand or within one year RMB'000** | **After one year but within two years RMB'000** | **Total undiscounted cash flows RMB'000** | **Carrying amount RMB'000** |
|---|---|---|---|---|---|
| **The Group and the Company** | | | | | |
| **As at 31 December 2024** | | | | | |
| Trade and bills payables | | **24,529** | **–** | **24,529** | **24,529** |
| Accruals and other payables | | **9,065** | **–** | **9,065** | **9,065** |
| Bank borrowing | **3.50%** | **5,044** | **–** | **5,044** | **5,000** |
| | | **38,638** | **–** | **38,638** | **38,594** |
| Lease liabilities | **3.10%** | **2,040** | **1,880** | **3,920** | **3,812** |

| | Weighted average interest rate | On demand or within one year RMB'000 | After one year but within two years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|
| **The Group and the Company** | | | | | |
| **As at 31 December 2023** | | | | | |
| Trade and bills payables | | 36,641 | – | 36,641 | 36,641 |
| Accruals and other payables | | 9,153 | – | 9,153 | 9,153 |
| Dividend payable | | 117 | – | 117 | 117 |
| Bank borrowing | 4.50% | 5,054 | – | 5,054 | 5,000 |
| | | 50,965 | – | 50,965 | 50,911 |
| Lease liabilities | 3.00% | 1,440 | – | – | 1,422 |

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair values of financial instrument

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

| | Fair value hierarchy | Valuation techniques and key inputs | As at 31 December 2024 RMB'000 | As at 31 December 2023 RMB'000 | Significant unobservable inputs | Expected return rate | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | | |
| Wealth management products | Level 3 | Discounted cash flow method with estimated yield rate as the key input | - | 1,075 | Yield rate | 2023: 6.4% | The higher the yield rate, the higher the fair value |

The Group adopted default discount rate as key input in fair value measurement during the year. During the year ended 31 December 2023, the management observed several indicators revealing that the issuer of wealth management products had encountered serious financial difficulties. The Directors of the Company consider the default risk had increased significantly.

During the year ended 31 December 2024, upon the expiry of the term of the wealth management product, the Group has not received any principal amount and return on the wealth management product within the time limit stipulated under the relevant agreements. With reference to the current position of the issuer, in the opinion of the Directors of the Company, the recoverability of the principal amount and the return on the wealth management product was remote and loss on fair value change of the wealth management product of RMB1,075,000 was recognised in profit or loss during the year ended 31 December 2024. The Group will continue to communicate with the issuer and take all possible measures to safeguard the interests of the Group.

Reconciliation of Level 3 fair value measurement of financial assets on recurring basis:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Balance at beginning of the year | **1,075** | 3,124 |
| Purchases | – | 3,000 |
| Disposal | – | (3,210) |
| Fair value loss recognised in other income and gain, net | **(1,075)** | (1,839) |
| Balance at end of the year | – | 1,075 |

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair values of financial instrument (Continued)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

For recurring fair value measurement categorized with Level 3 of the fair value hierarchy, if the unobservable input market default discount rate to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the wealth management products would decrease/increase by approximately RMB107,000 during the year ended 31 December 2023 (2024: nil).

## 7. REVENUE AND SEGMENT INFORMATION

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

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

(1) Oral care products segment reports manufacture and sales of oral care products including functional toothpaste, mouthwash, oral spray and toothbrush.

(2) Leather care products segment reports manufacture and sales of leather care products including leather shoe care products and leather clothing care products.

(3) Household hygiene products segment reports manufacture and sales of household hygiene products including surface cleaners, laundry care products, toilet care products and mould proof products.

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

Segment revenue represents revenue derived from the sales of oral care, leather care and household hygiene products.

The following are analysis of the Group's revenue and results by reportable and operating segments:

| | Oral care products RMB'000 | Leather care products RMB'000 | Household hygiene products RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2024** | | | | |
| Segment revenue from external customers | **65,015** | **13,909** | **182,373** | **261,297** |
| Segment profit | **24,340** | **4,368** | **60,778** | **89,486** |
| Unallocated income | | | | **4,656** |
| Unallocated expenses | | | | **(90,952)** |
| Finance costs | | | | **(181)** |
| Profit before tax | | | | **3,009** |
| **For the year ended 31 December 2023** | | | | |
| Segment revenue from external customers | 101,058 | 17,864 | 173,087 | 292,009 |
| Segment profit | 37,534 | 6,126 | 65,896 | 109,556 |
| Unallocated income | | | | 4,991 |
| Unallocated expenses | | | | (106,419) |
| Finance costs | | | | (478) |
| Profit before tax | | | | 7,650 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of selling and distribution costs, administrative expenses, other income and gain and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **SEGMENT ASSETS** | | |
| Jointly-shared by sales of oral care products, leather care products and household hygiene products segments | **185,876** | 196,150 |
| Unallocated | **149,237** | 152,413 |
| Total assets | **335,113** | 348,563 |
| **SEGMENT LIABILITIES** | | |
| Jointly-shared by sales of oral care products, leather care products and household hygiene products segments | **67,797** | 76,753 |
| Unallocated | **5,000** | 8,128 |
| Total liabilities | **72,797** | 84,881 |

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use asset, bank balances and cash and financial asset at FVTPL as these assets are managed on a group basis; and
- all liabilities are allocated to operating segments other than certain other payables, dividend payable, bank borrowings, tax payable and lease liabilities as these liabilities are managed on a group basis.

The Group's CODM is of the view that the Group's principal assets and liabilities are jointly used and shared by oral care products, leather care products and household hygiene products segments.

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Other segment information

| | Jointly-shared by oral care products, leather care products and household hygiene products RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Year ended 31 December 2024** | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | |
| Depreciation of property, plant and equipment | 11,441 | 7,951 | 19,392 |
| Depreciation of right-of-use assets | 218 | 2,100 | 2,318 |
| Additions to non-current assets | 5,432 | 5,010 | 10,442 |
| Impairment loss on inventories | 369 | – | 369 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results | | | |
| Bank interest income | – | (1,360) | (1,360) |
| Fair value changes on financial assets at FVTPL | – | 1,075 | 1,075 |
| Rental income from properties | (1,950) | – | (1,950) |
| Rental income from equipment | (310) | – | (310) |
| Loss on disposal of property, plant and equipment | – | 33 | 33 |
| Government grants | – | (710) | (710) |
| Finance costs | – | 181 | 181 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

| | Jointly-shared by oral care products, leather care products and household hygiene products RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Year ended 31 December 2023** | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | |
| Depreciation of property, plant and equipment | 11,718 | 8,143 | 19,861 |
| Depreciation of right-of-use assets | 218 | 2,103 | 2,321 |
| Additions to non-current assets | 12,647 | 867 | 13,514 |
| Impairment loss on inventories | 2,565 | – | 2,565 |
| | | | |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results | | | |
| Bank interest income | – | (907) | (907) |
| Gains on disposal of property, plant and equipment, net | – | (115) | (115) |
| Fair value changes on financial assets at FVTPL | – | 1,839 | 1,839 |
| Rental income from properties | (1,953) | – | (1,953) |
| Rental income from equipment | (310) | – | (310) |
| Government grants | – | (1,104) | (1,104) |
| Finance costs | – | 478 | 478 |

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are mainly located in the PRC – the country of domicile and all of its non-current assets, are located in the PRC.

### Disaggregation of revenue

Information about the Group's revenue from external customers is presented based on the locations of customers.

| | PRC | United States of America | Australia | Other | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Revenue from external customers** | | | | | |
| Year ended 31 December 2024 | **237,326** | **16,210** | **7,552** | **209** | **261,297** |
| Year ended 31 December 2023 | 270,667 | 12,472 | 8,767 | 103 | 292,009 |

During the years ended 31 December 2024 and 2023, all revenue from contracts with customers within the scope of HKFRS 15 were recognised at a point in time upon delivered to the customers' designated location and the customers have inspected and accepted the products.

Products were mainly sold to (i) distributors which then distribute and sell them to retailers and/or sub-distributors; (ii) directly to retailers, and (iii) OEM customers who market such products under their brand names or resell them.

### Information about major customer

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

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A | **27,904**[1] | N/A[2] |

1 Revenue from sales of oral care products and household hygiene products.

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

## 8. OTHER INCOME AND GAIN, NET

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Rental income from properties *(Note i)* | **1,950** | 1,953 |
| Rental income from equipment | **310** | 310 |
| Bank interest income | **1,360** | 907 |
| Exchange gain | **335** | 174 |
| Government grants *(Note ii)* | **710** | 1,104 |
| (Loss) gain on disposal of property, plant and equipment, net | **(33)** | 115 |
| Fair value changes on financial assets at FVTPL *(Note iii)* | **(1,075)** | (1,839) |
| Others | **1,099** | 2,267 |
| | **4,656** | 4,991 |

*Notes:*

(i) No material outgoings had been incurred for the rental income.

(ii) These government grants were awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development with no unfulfilled conditions.

(iii) Included realised gain of approximately RMB86,000 upon maturity of the financial assets at FVTPL during the year ended 31 December 2023 (2024: nil).

## 9. FINANCE COSTS

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interest on bank borrowing | **154** | 406 |
| Interest on lease liabilities | **27** | 72 |
| | **181** | 478 |

## 10. INCOME TAX EXPENSES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Current tax** | | |
| PRC Enterprise Income Tax | **257** | 1,262 |
| **Deferred tax** *(note 24)* | **(217)** | (673) |
| | **40** | 589 |

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

(b) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the both years.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries registered in the PRC is 25% from 1 January 2008 onwards. The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(d) One of the Group's subsidiaries registered in the PRC is recognised as a High and New-technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 15% during the years ended 31 December 2024 and 2023.

(e) One of the Group's subsidiaries registered in the PRC is recognised as a small and low profit enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC Enterprise Income Tax at concessionary rate of 5% (2023: 5%) during the year.

## 10. INCOME TAX EXPENSES (Continued)

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Profit before tax | **3,009** | 7,650 |
| Tax at the domestic income tax rate of 25% | **752** | 1,912 |
| Effect of difference tax rates of subsidiaries operating in other jurisdictions | **178** | 331 |
| Income tax on concessionary rate | **(28)** | (394) |
| Tax effect of expenses not deductible for tax purpose | **1,690** | 1,410 |
| Tax effect of super deduction arising from research and development expenses | **(2,552)** | (2,670) |
| Income tax expenses for the year | **40** | 589 |

Details of the deferred tax are set out in note 24.

## 11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Auditor's remuneration | **600** | 580 |
| Depreciation of property, plant and equipment | **19,392** | 19,861 |
| Depreciation of right-of-use assets | **2,318** | 2,321 |
| Cost of inventories recognised as expenses* | **171,811** | 182,453 |
| Research and development costs recognised as an expense** | **10,206** | 10,680 |
| Impairment loss on inventories (included in cost of sales) | **369** | 2,565 |
| Emoluments of directors and chief executive *(note 14)* | **1,993** | 1,896 |
| Other staff costs: | | |
| Salaries and allowances | **23,298** | 27,190 |
| Contributions to retirement benefits schemes | **3,817** | 3,692 |
| Total staff costs | **29,108** | 32,778 |

* Cost of inventories recognised as expenses for the year ended 31 December 2024 included staff costs of approximately RMB9,806,000 (2023: RMB9,074,000) which had been included in the total staff costs disclosed above.

** Research and development costs recognised as an expense for the year ended 31 December 2024 included staff costs of approximately RMB5,762,000 (2023: RMB5,489,000) which were also included in the total staff costs disclosure above.

## 12. DIVIDEND

Dividend recognised as distribution during the year:

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 2023 Final – RMB0.38 cents (2023: 2022 Final dividend RMB0.50 cents) per share | **3,800** | 5,000 |

During the year ended 31 December 2024, the shareholders of the Company approved to declare a final dividend of RMB0.38 cents per share for 2023 (2023: RMB0.50 cents per share for 2022), amounting to RMB3,800,000 (2023: RMB5,000,000) at the general meeting of the Company. Approximately RMB3,917,000 of dividend was paid during the year ended 31 December 2024 (2023: RMB4,883,000).

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

### Earnings

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Earnings for the purpose of basic and diluted per share | **2,969** | 7,061 |

### Number of shares

| | **2024** | 2023 |
|---|---|---|
| | **'000** | '000 |
| Number of ordinary shares for the purpose of basic and diluted earnings per share | **1,000,000** | 1,000,000 |

Since there are no potential dilutive shares in issue during the years ended 31 December 2024 and 2023, basic and diluted earnings per share are the same for both years.

## 14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

The emoluments paid or payable to the directors of the Company, which include the chief executive of the Group, were as follows:

| | Executive directors | | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|---|
| | Ms. Li Qiuyan RMB'000 | Mr. Tong Xing RMB'000 *(note i)* | Ms. Du Yongwei RMB'000 | Mr. Tang Wai Yau RMB'000 | Mr. Ye Jingzhong RMB'000 | Mr. Pan Qingwei RMB'000 *(note ii)* | Total RMB'000 |
| **For the year ended 31 December 2024** | | | | | | | |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | | | | |
| Fees | – | – | – | 162 | 60 | – | 222 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings | | | | | | | |
| Other emoluments | | | | | | | |
| Salaries | 881 | 482 | 303 | – | – | – | 1,666 |
| Contributions to retirement benefits schemes | – | 96 | 9 | – | – | – | 105 |
| Total emoluments | 881 | 578 | 312 | 162 | 60 | – | 1,993 |

## 14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (Continued)

| | Executive directors | | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|---|
| | Ms. Li Qiuyan RMB'000 | Mr. Tong Xing RMB'000 *(note i)* | Ms. Du Yongwei RMB'000 | Mr. Tang Wai Yau RMB'000 | Mr. Ye Jingzhong RMB'000 | Mr. Pan Qingwei RMB'000 *(note ii)* | Total RMB'000 |
| **For the year ended 31 December 2023** | | | | | | | |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | | | | |
| Fees | – | – | – | 156 | 60 | – | 216 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings | | | | | | | |
| Other emoluments | | | | | | | |
| Salaries | 887 | 463 | 292 | – | – | – | 1,642 |
| Contributions to retirement benefits schemes | – | 30 | 8 | – | – | – | 38 |
| Total emoluments | 887 | 493 | 300 | 156 | 60 | – | 1,896 |

*Notes:*

(i) Mr. Tong Xing is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by his as the chief executive officer.

(ii) During the years ended 31 December 2024 and 2023, Mr. Pan Qingwei agreed to waive emoluments of RMB60,000 and RMB60,000 respectively.

## 14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (Continued)

Of the five individuals with the highest emoluments in the Group, two were directors (2023: two) (including the chief executive) of the Company for the year ended 31 December 2024, whose emoluments are included in the disclosures above. The emoluments of the remaining three (2023: three) individuals for the years ended 31 December 2024 and 2023 were as follows:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Salaries and allowances and other benefits | **861** | 1,174 |
| Contributions to retirement benefits schemes | **41** | 45 |
| | **902** | 1,219 |

The emoluments of each of the above three individual fell within the bank of nil to HK$1,000,000 (equivalent to nil to RMB923,000) (2023: nil to HK$1,000,000 (equivalent to nil to RMB907,000)) for the year.

No emoluments where paid by the Group to any of the directors (including the chief executive) or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improvements | Motor vehicles | Plant and machinery | Office equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **COST** | | | | | | | |
| At 1 January 2023 | 124,793 | 30,982 | 11,553 | 77,461 | 12,777 | 17,334 | 274,900 |
| Additions | 2,306 | 5,627 | 175 | 574 | 692 | 11,095 | 20,469 |
| Transfer | 13,404 | – | – | 10,438 | – | (23,842) | – |
| Disposals | – | – | (1,535) | – | – | – | (1,535) |
| At 31 December 2023 and 1 January 2024 | **140,503** | **36,609** | **10,193** | **88,473** | **13,469** | **4,587** | **293,834** |
| Additions | **767** | **–** | **866** | **4,140** | **399** | **2,698** | **8,870** |
| Transfer | **4,567** | **–** | **–** | **163** | **–** | **(4,730)** | **–** |
| Disposals | **–** | **–** | **–** | **(560)** | **(90)** | **–** | **(650)** |
| At 31 December 2024 | **145,837** | **36,609** | **11,059** | **92,216** | **13,778** | **2,555** | **302,054** |
| **ACCUMULATED DEPRECATION** | | | | | | | |
| At 1 January 2023 | 49,178 | 26,448 | 4,992 | 35,872 | 10,047 | – | 126,537 |
| Charge for the year | 5,350 | 4,877 | 1,444 | 7,430 | 760 | – | 19,861 |
| Eliminated on disposals | – | – | (1,458) | – | – | – | (1,458) |
| At 31 December 2023 and 1 January 2024 | **54,528** | **31,325** | **4,978** | **43,302** | **10,807** | **–** | **144,940** |
| Charge for the year | **7,739** | **3,956** | **1,507** | **5,515** | **675** | **–** | **19,392** |
| Eliminated on disposals | **–** | **–** | **–** | **(525)** | **(89)** | **–** | **(614)** |
| At 31 December 2024 | **62,267** | **35,281** | **6,485** | **48,292** | **11,393** | **–** | **163,718** |
| **CARRYING VALUES** | | | | | | | |
| At 31 December 2024 | **83,570** | **1,328** | **4,574** | **43,924** | **2,385** | **2,555** | **138,336** |
| At 31 December 2023 | 85,975 | 5,284 | 5,215 | 45,171 | 2,662 | 4,587 | 148,894 |

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on straight-line basis, after taking into account their estimated residual values, over their estimated useful lives at the following rate per annum:

| | |
|---|---|
| Buildings | 5% or over the lease term, whichever is shorter |
| Leasehold improvements | 20% or over the lease term, whichever is shorter |
| Motor vehicles | 20% |
| Plant and machinery | 10% |
| Office equipment | 20% |

As at 31 December 2024, the Group's buildings with carrying amount amounting to approximately RMB2,238,000 (2023: RMB2,796,000) were pledged to secure banking facilities granted to the Group (note 23).

At 31 December 2024, the Group has not obtained building ownership certificates for certain properties with a carrying amount of approximately RMB1,166,000 (2023: RMB1,166,000). In the opinion of the Directors of the Company, the absence of formal titles to these properties does not impair their values to the Group as the Group has paid full consideration for acquiring the relevant properties and the probability of being evicted on the ground of an absence of formal title is remote.

## 16. LEASES

### (i) Right-of-use assets

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Land use rights | **15,770** | 16,220 |
| Buildings | **3,810** | 1,715 |
| | **19,580** | 17,935 |

Right-of-use assets of RMB15,770,000 (2023: RMB16,220,000) representing land use rights located in the PRC are amortised over 50 years on a straight-line basis.

During the year ended 31 December 2024, the Group entered into a new lease agreement in respect of renting a new office and recognised lease liabilities and right-of-use asset of approximately RMB3,963,000 (2023: nil). The lease term is two years at fixed rentals with no extension option. In addition, the weighted average lessee's incremental borrowing rates applied to the lease liabilities was 3.10% (2023: 3.00%) per annum as at 31 December 2024.

## 16. LEASES (Continued)

### (ii) Lease liabilities

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Amounts payable under lease liabilities | | |
| Within one year | **1,958** | 1,422 |
| After one year but within two years | **1,854** | – |
| | **3,812** | 1,422 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(1,958)** | (1,422) |
| Amount due for settlement after 12 months | **1,854** | – |

### (iii) Amounts recognised in profit or loss

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Depreciation expense on right-of-use assets | | |
| – land use rights | **450** | 450 |
| – buildings | **1,868** | 1,871 |
| Interest expense on lease liabilities | **27** | 72 |

## 16. LEASES (Continued)

### (iv) Others

During the year ended 31 December 2024, the total cash outflow for leases amounting to approximately RMB1,600,000 (2023: RMB1,920,000).

As at 31 December 2024, the carrying amount of such lease liabilities of approximately RMB3,812,000 (2023: RMB1,422,000) was due to a related company, Shanghai Fumeizi Biotechnology Co., Ltd* (上海復美姿生物科技有限公司) ("Shanghai Fumeizi"). Details are set out note 30.

## 17. INTANGIBLE ASSETS

| | **Trademarks** |
|---|---|
| | RMB'000 |
| **COST** | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 1,016 |
| **AMORTISATION** | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 1,016 |
| **CARRYING VALUES** | |
| At 31 December 2024 | – |
| At 31 December 2023 | – |

Intangible assets solely represent the trademarks acquired by the Group which were fully amortised in prior year. The directors of the Company expected to use the trademarks to contribute to net cash inflows in foreseeable future.

* *The English name is for identification purpose only.*

## 18. INVENTORIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Raw materials | **19,241** | 18,377 |
| Work in progress | **129** | 288 |
| Finished goods | **10,196** | 10,560 |
| | **29,566** | 29,225 |

Impairment loss on of inventories of approximately RMB369,000 (2023: RMB2,565,000) had been recognised as the directors of the Company assessed the net realised value on aged inventories and included in cost of sales during the year ended 31 December 2024.

## 19. TRADE AND OTHER RECEIVABLES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Trade receivables | | |
| – third parties | **33,983** | 37,228 |
| Less: allowance for impairment of trade receivables | **(223)** | (223) |
| | **33,760** | 37,005 |
| Deposits and other receivables | **2,098** | 1,960 |
| Advances to employees | **21** | 81 |
| Loan to an employee | **258** | 757 |
| Less: allowance for impairment of other receivables | **(660)** | (660) |
| | **1,717** | 2,138 |
| Prepayments | **28,854** | 26,085 |
| Less: allowance for impairment of prepayments | **(363)** | (363) |
| | **28,491** | 25,722 |
| | **63,968** | 64,865 |

As at 31 December 2024, the gross amount of trade receivables arising from contracts with customers amounted approximately RMB33,983,000 (2023: RMB37,228,000).

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

## 19. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period.

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| 0–30 days | **31,672** | 35,178 |
| 31–60 days | **819** | 291 |
| 61–90 days | **41** | 460 |
| Over 3 months but less than 6 months | **377** | 573 |
| Over 6 months but less than 1 year | **851** | 503 |
| | **33,760** | 37,005 |

The Group measures the loss allowance for trade receivables at an amount equal of lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to historical loss rates in the past four years, adjusted for forward looking macroeconomic data in calculating the expected credit loss rates.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

## 19. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2024, the expected credit losses is determined using the provision matrix as follows:

| | Average loss rate % | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
|---|---|---|---|
| 0–30 days (including amounts not yet past due) | **0.91** | **32,722** | **80** |
| Overdue 31–60 days | **0.95** | **220** | **13** |
| Overdue 61–90 days | **1.00** | **41** | **4** |
| Overdue 3 months to 6 months | **1.47** | **377** | **28** |
| Overdue 6 months to 2 years | **2.41** | **623** | **98** |
| | | **33,983** | **223** |

As at 31 December 2023, the expected credit losses is determined using the provision matrix as follows:

| | Average loss rate % | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
|---|---|---|---|
| 0–30 days (including amounts not yet past due) | 0.09 | 35,258 | 80 |
| Overdue 31–60 days | 0.17 | 304 | 13 |
| Overdue 61–90 days | 0.32 | 464 | 4 |
| Overdue 3 months to 6 months | 1.25 | 601 | 28 |
| Overdue 6 months to 2 years | 2.47 | 601 | 98 |
| | | 37,228 | 223 |

## 19. TRADE AND OTHER RECEIVABLES (Continued)

The movements in the allowance for impairment of trade receivables is set out below:

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 223 | – | 223 |

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two to three years past due, depending on the types of customers, whichever occurs earlier.

For the purpose of internal credit risk management for advances and loans to employees, the directors of the Company have assessed the past due status of the debts, the financial position of the debtors and concluded that there has not been a significant increase in the credit risk since initial recognition. As such, no loss allowance was made in 2024 and 2023 as 12-month ECL is insignificant.

Included in prepayments and other receivables are individually impaired of approximately RMB363,000 and RMB660,000 (2023: RMB363,000 and RMB660,000) respectively as at 31 December 2024 since the directors of the Company considered the prolonged outstanding balances cannot be utilised or recovered.

## 20. FINANCIAL ASSETS AT FVTPL

As at 31 December 2023, financial assets at FVTPL represented wealth management product placed at a financial institute with maturity date of one year from the date of purchase. The product is non-guaranteed with expected return of 6.40% per annum.

During the year ended 31 December 2023, the underlying issuer of the product encountered serious financial difficulties and failed to fulfill its financial obligation to the investors. No repayment schedule had been provided to the Group up to the year ended 31 December 2023. The management considered significant risk on the recoverability of wealth management product. The directors of Company additionally refer to market default rate to determine the fair value of the financial assets.

During the year ended 31 December 2024, the Group has not received any principal amount and return on the wealth management product upon the expiry of the term agreed on the agreement. The directors of Company considered the recoverability of the wealth management product was remote and loss on fair value change of RMB1,075,000 was recognised in profit or loss during the year ended 31 December 2024.

Details of fair value measurement of financial assets are set out in note 6.

## 21. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Cash at banks carried interest at floating rates based on market interest rate ranging from 0.01% to 0.385% per annum for both 2024 and 2023.

Deposits amounting to approximately RMB725,000 (2023: RMB5,645,000) have been pledged to secure bills payables and are therefore classified as current assets. The pledged bank deposits will be released upon settlement of relevant bills payables.

The pledged deposits carry fixed interest rate which ranged from 1.5% to 1.7% (2023: 1.5% to 1.7%) per annum.

Details of impairment assessment of bank balances are set out in note 6.

## 22. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade and bills payables *(Note i)* | **24,529** | 36,641 |
| Accruals and other payables *(Note ii)* | **11,921** | 12,037 |
| Payables for acquisition of property, plant and equipment | **848** | 793 |
| | **37,298** | 49,471 |
| Contract liabilities | **25,882** | 26,560 |

*Notes:*

(i) As at 31 December 2024 and 2023, bills payables were secured pledged bank deposits of RMB725,000 (2023: RMB5,645,000). Details of the pledged bank deposits are set out in note 21.

(ii) Included in accruals and other payables, there was accrued director's remuneration of approximately RMB40,000 (2023: RMB41,000).

Revenue recognised during the year ended 31 December 2024 that was included in the contract liabilities as at 1 January 2024 was approximately RMB24,981,000 (2023: RMB20,320,000). Almost all of the contract liabilities as at 31 December 2023 were recognised as revenue within one year.

## 22. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

The following is an aged analysis of trade and bills payables presented based on the invoice date.

| | **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|
| 0–30 days | **14,520** | 19,749 |
| 31–60 days | **5,247** | 5,681 |
| 61–90 days | **1,171** | 4,534 |
| Over 3 months but less than 6 months | **2,249** | 5,094 |
| Over 6 months but less than 1 year | **582** | 629 |
| Over 1 year but less than 2 years | **298** | 392 |
| Over 2 years but less than 5 years | **462** | 562 |
| | **24,529** | 36,641 |

The average credit period on purchase of goods in 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

## 23. BANK BORROWING

| | **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|
| Secured bank borrowing repayable within one year | **5,000** | 5,000 |

As at 31 December 2024 and 2023, all of the Group's borrowing is denominated in RMB.

During the year ended 31 December 2024, the Group was granted a secured revolving bank facility with maximum facility amount of RMB80,000,000. The secured revolving bank facility was pledged by Group's buildings with carrying amount of approximately RMB2,238,000 as at 31 December 2024 (2023: RMB2,796,000).

As at 31 December 2024 and 2023, the above banking facility was guaranteed by the director of the Company, Ms. Li Qiuyan. Details are set out in note 30.

As at 31 December 2024 and 2023, the Group has undrawn bank facilities amounted to approximately RMB80,000,000 and RMB80,000,000 respectively.

During the year ended 31 December 2024, the Group obtained another new secured loan in the amount of RMB5,000,000. The secured bank borrowing was pledged by Group's trademarks with carrying amount of nil (2023: nil). The loan bore fixed interest rate at 3.5% (2023: 4.5%) per annum.

## 24. DEFERRED TAXATION

The following is the analysis of the Group's deferred tax assets and deferred tax liabilities for financial reporting purposes:

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Deferred tax assets | **1,746** | 1,529 |
| Deferred tax liabilities | **(1,299)** | (1,299) |
| | **447** | 230 |

| | Impairment of assets | Withholding tax | Revaluation of financial asset at FVTPL | Accelerated depreciation | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023 | 856 | (317) | – | (982) | (443) |
| Credited to profit or loss | 385 | – | 288 | – | 673 |
| At 31 December 2023 and 1 January 2024 | **1,241** | **(317)** | **288** | **(982)** | **230** |
| Credited to profit or loss | **56** | **–** | **161** | **–** | **217** |
| At 31 December 2024 | **1,297** | **(317)** | **449** | **(982)** | **447** |

At 31 December 2024, no deferred tax has been recognised in respect of temporary differences associated with undistributed earnings of PRC subsidiaries amounted to approximately RMB144,698,000 (2023: RMB143,841,000) because the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

As at 31 March 2024, deferred income tax assets of approximately RMB1,297,000 (2023: approximately RMB1,241,000) have been recognised in the Group's consolidated financial statements in relation to deductible temporary differences of approximately RMB8,642,000 (2023: RMB8,273,000). As deferred tax assets and liabilities attributed to same tax entity, it presented in net balances.

## 25. SHARE CAPITAL AND RESERVES

### (a) Share capital

| | Number of shares | Nominal value of ordinary share | |
|---|---|---|---|
| | '000 | HK$'000 | RMB'000 |
| Authorised: | | | |
| Ordinary shares of HK$0.01 each | | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 1,000,000 | 10,000 | 8,606 |

### (b) Reserves

*(i) Share premium*

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

*(ii) PRC statutory reserves*

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of Jiangsu Snow Leopard Daily Chemical Co., Limited and Shanghai Snow Leopard Daily Chemical Co., Limited. Appropriations to the reserves were determined by the board of directors and can be used to offset accumulated losses and increase capital upon approval from the relevant government authorizes.

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). Since the amount of the Company's statutory surplus reserve has reached 50% of the registered capital of the Company no appropriation was made for both 2024 and 2023.

*(iii) Capital reserve*

Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the reorganisation.

## 26. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Non-current asset** | | |
| Investments in subsidiaries | **100,730** | 100,730 |
| **Current asset** | | |
| Amounts due from subsidiaries *(Note a)* | **24,666** | 27,940 |
| **Current liabilities** | | |
| Dividend payable | **502** | 117 |
| Amounts due to subsidiaries *(Note a)* | **407** | 397 |
| | **909** | 514 |
| **Net current assets** | **23,757** | 27,426 |
| | **124,487** | 128,156 |
| **Capital and reserves** | | |
| Share capital *(Note 25(a))* | **8,606** | 8,606 |
| Reserves *(Note b)* | **115,881** | 119,550 |
| | **124,487** | 128,156 |

## 26. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Notes:*

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) Movements in the Company's reserves

| | Share premium | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | *(Note)* | | |
| At 1 January 2023 | 74,386 | 100,730 | (51,074) | 124,042 |
| Profit for the year and total comprehensive income for the year | – | – | 508 | 508 |
| Dividend recognised as distribution | (5,000) | – | – | (5,000) |
| **At 31 December 2023 and 1 January 2024** | **69,386** | **100,730** | **(50,566)** | **119,550** |
| Profit for the year and total comprehensive income for the year | **–** | **–** | **131** | **131** |
| Dividend recognised as distribution | **(3,800)** | **–** | **–** | **(3,800)** |
| At 31 December 2024 | **65,586** | **100,730** | **(50,435)** | **115,881** |

*Note:* Other reserve represents the difference between the nominal value of the share issued for the acquisition of equity interests of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.

## 27. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan and the assets of the MPF Scheme are held separately from those of the Group in funds administrated by independent trustee. Under the MPF Scheme, the Group and is employees makes monthly contributions to the MPF Scheme at 5% of the employee's earning capped at HK$1,500 per month to the MPF Scheme.

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

The total cost charged to profit or loss of approximately RMB3,922,000 (2023: RMB3,730,000) represent contributions payable to these schemes by the Group for the year ended 31 December 2024.

## 28. CAPITAL COMMITMENT

As at 31 December 2024 and 2023, the Group has the following capital commitment in respect of acquisition of property, plant and equipment:

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contracted but no provided for | **2,918** | 2,300 |

## 29. LEASE COMMITMENTS

### The Group as lessor

The Group had contracted with tenants under operating lease arrangement, with leases negotiated for terms ranging from 1 to 12 years (2023: 1 to 10 years). None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at 31 December 2024 and 2023 will be received by the Group in future periods as follows:

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 year | **1,607** | 2,353 |
| After 1 year with within 2 years | **636** | 586 |
| After 2 years but within 3 years | **489** | 586 |
| After 3 years but within 4 years | **50** | 439 |
| After 4 years but within 5 years | **50** | – |
| Over 5 years | **300** | – |
| | **3,132** | 3,964 |

## 30. RELATED PARTY DISCLOSURES

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with its related parties.

**(a)** During the year ended 31 December 2024, the Group entered into a new lease in respect of an office form Shanghai Fumeizi a related company controlled by Mr. Tong Huaizhou, a close family member of the executive director of the Company, Ms. Li Qiuyan. The Group recognised lease liabilities and right-of-use asset of approximately RMB3,963,000. As at 31 December 2024, the aggregate carrying amounts of such lease liabilities is approximately RMB3,812,000 (2023: RMB1,422,000). During the year ended 31 December 2024, the Group has made lease payment of approximately RMB1,600,000 (2023: RMB1,920,000) including interest expense on lease liabilities of approximately RMB27,000 (2023: RMB72,000).

**(b)** During the years ended 31 December 2024 and 2023, the Group rented an office premises from Ms. Li Qiuyan, a shareholder and a director of the Company, at nil consideration.

**(c)** As at 31 December 2024 and 2023, banking facility of RMB80,000,000 was guaranteed by Ms. Li Qiuyan.

### (d) Key management compensation

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Salaries and other benefits in kind | **2,120** | 2,826 |
| Retirement benefits scheme contributions | **134** | 101 |
| | **2,254** | 2,927 |

The remuneration of key management personnel including executive directors of the Company and senior management of Group is determined by the performance of individuals and market trends.

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | | | **Non-cash changes** | | |
|---|---|---|---|---|---|
| | **1 January 2024 RMB'000** | **Financing cash flows RMB'000** | **New lease arrangement RMB'000** | **Finance costs incurred RMB'000** | **31 December 2024 RMB'000** |
| Lease liabilities *(note 16)* | **1,422** | **(1,600)** | **3,963** | **27** | **3,812** |
| Bank borrowing *(note 23)* | **5,000** | **–** | **–** | **–** | **5,000** |
| | **6,422** | **(1,600)** | **3,963** | **27** | **8,812** |

| | | | Non-cash changes | |
|---|---|---|---|---|
| | 1 January 2023 RMB'000 | Financing cash flows RMB'000 | Finance costs incurred RMB'000 | 31 December 2023 RMB'000 |
| Lease liabilities *(note 16)* | 3,270 | (1,920) | 72 | 1,422 |
| Bank borrowing *(note 23)* | 15,000 | (10,000) | – | 5,000 |
| | 18,270 | (11,920) | 72 | 6,422 |

## 32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The particulars of the subsidiaries of the Group as at the end of reporting period are as follows:

| Name of subsidiaries | Place incorporation/ establishment | Issued and fully paid share capital/registered capital | Attributable equity interest held by the Group 2024 | 2023 | Principal activities |
|---|---|---|---|---|---|
| *Director subsidiaries* | | | | | |
| SL Far East Investments Limited | British Virgin Islands ("BVI") | Issued and fully paid share capital/ United States Dollars ("USD")1,000 | **100%** | 100% | Investment holding |
| Snow Leopard Technology (Holding Group) Ltd. | BVI | Issued and fully paid share capital/ USD1,000 | **100%** | 100% | Investment holding |
| Golden Maxim Limited | BVI | Issued and fully paid share capital/ USD1,000 | **100%** | 100% | Investment holding |
| *Indirect subsidiaries* | | | | | |
| FE Golden Classic Dentists International Limited | Hong Kong | Issued and fully paid share capital/ HK$1,000 | **100%** | 100% | Investment holding |
| 江蘇雪豹日化有限公司 Jiangsu Snow Leopard Daily Chemical Co., Limited | PRC, wholly-owned foreign enterprise | Registered capital/ RMB85,680,000 | **100%** | 100% | Manufacture and trading of oral care, leather care and household hygiene products |
| 上海雪豹日用化學有限公司 Shanghai Snow Leopard Daily Chemical Co., Limited | PRC, limited liability company | Registered capital/ RMB1,000,000 | **100%** | 100% | Trading of oral care leather care and household hygiene products |
| Larento International (Development) Co., Limited | Hong Kong | Issued and fully paid share capital/ HK$1 | **100%** | 100% | Investment holding |

None of the subsidiaries had issued any debt securities during both years or at the end of both years.

# Five Years Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is as follows.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2024** | 2023 | 2022 | 2021 | 2020 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **261,297** | 292,009 | 270,536 | 295,699 | 305,794 |
| Cost of sales | **(171,811)** | (182,453) | (168,926) | (180,012) | (173,537) |
| Gross profit | **89,486** | 109,556 | 101,610 | 115,687 | 132,257 |
| Profit before tax | **3,009** | 7,650 | 13,291 | 14,749 | 22,736 |
| Income tax expenses | **(40)** | (589) | (1,139) | (1,904) | (4,578) |
| Profit for the year | **2,969** | 7,061 | 12,152 | 12,845 | 18,158 |
| Earnings per share | | | | | |
| Basic and diluted (RMB cents) | **0.30** | 0.71 | 1.22 | 1.28 | 1.82 |

| | 31 December | | | | |
|---|---|---|---|---|---|
| Assets and liabilities | **2024** | 2023 | 2022 | 2021 | 2020 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **335,113** | 348,563 | 364,147 | 353,015 | 359,120 |
| Total liabilities | **72,797** | 84,881 | 103,947 | 105,000 | 123,604 |
| Capital and reserves | | | | | |
| Total equity | **262,316** | 263,682 | 260,200 | 248,015 | 235,516 |