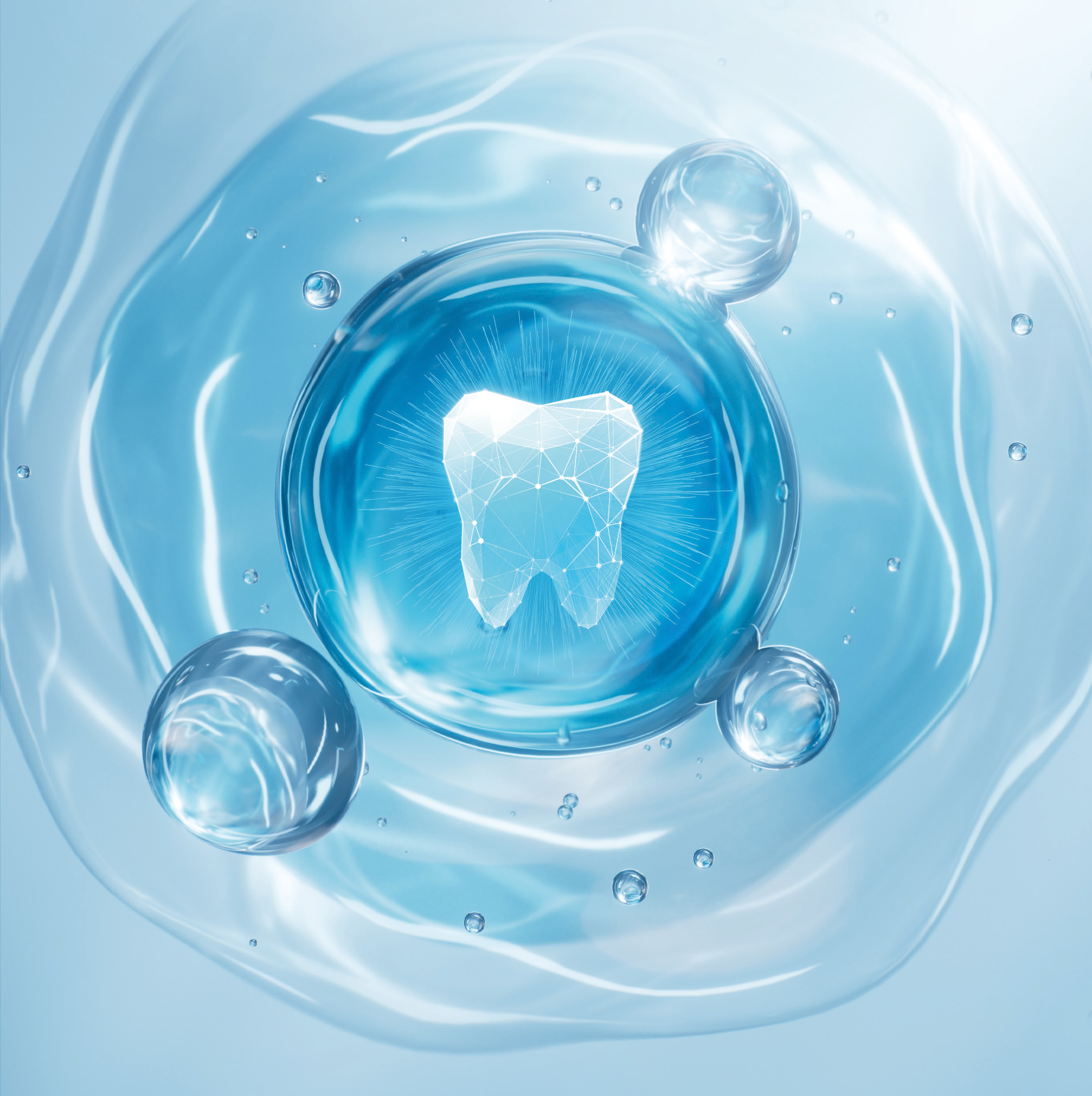
CHINA ORAL INDUSTRY GROUP HOLDINGS LIMITED

中國口腔產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8406



ANNUAL REPORT 2024

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent Non-executive Directors
Ms. Shen Jindan
Ms. Deng Xin
Ms. Lian Jingyu
Ms. Tseung Choi Wing Queenie
(appointed on 16 July 2024)

BOARD COMMITTEE

Audit Committee
Ms. Lian Jingyu *(Chairlady)*
Ms. Deng Xin
Ms. Shen Jindan
Ms. Tseung Choi Wing Queenie
(appointed on 16 July 2024)

Remuneration Committee
Ms. Deng Xin *(Chairlady)*
Ms. Lian Jinyu
Mr. Liu Yao Guang
Ms. Tseung Choi Wing Queenie
(appointed on 16 July 2024)

Nomination Committee
Ms. Yan Ping *(Chairlady)*
Ms. Shen Jindan
Ms. Lian Jingyu
Ms. Tseung Choi Wing Queenie
(appointed on 16 July 2024)

HEAD OFFICE

Dongcheng Industrial Zone
Xinping Road, Minzhong Town
Zhongshan City, Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 304, Dominion Centre
43 Queen's Road East, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

COMPLIANCE OFFICER

Mr. Xiao Jiansheng

AUTHORISED REPRESENTATIVES

Ms. Yan Ping
Ms. Chim Lai Kuen

JOINT COMPANY SECRETARIES

Ms. Chim Lai Kuen
Ms. Chan Lok Yin (appointed on 29 November 2024)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL BANKERS

Bank of China
Industrial & Commercial Bank of China (Asia) Limited

GEM STOCK CODE

8406

COMPANY'S WEBSITE

www.chinaoral.co

CHAIRLADY'S STATEMENT

Dear shareholders, partners, and colleagues,

As we welcome the Year of the Snake in 2025, it is my privilege to express the warmest greetings and sincere gratitude on behalf of China Oral Industry Group to our shareholders who have consistently supported our development, our partners who have journeyed alongside us, and all our hardworking and dedicated employees. Over the past year, we navigated a complex and dynamic market environment with our united efforts and determination, and we have driven the stable development of the Company and written a new chapter in our journey.

1. 2024: REMARKABLE SUCCESS THROUGH IN-DEPTH CULTIVATION

(1) Steady improvement in financial indicators

Driven by market expansion, business diversification, and the enhancement of core product competitiveness, the Company achieved significant operational results in 2024. Total revenue reached 231 million, representing a substantial year-on-year increase of 38.37%. Despite a net loss of 16.439 million, it represents a year-on-year decrease of 11.74%, highlighting the gradual improvement in the Company's capabilities. In addition, the gross profit margin remained at 16.1%, and the debt-to-asset ratio was 47.08%, indicating a solid financial structure that lays a strong foundation for the Company's future development.

(2) Continuous expansion of business operations

1. Dental Medical Services: through a combination of new establishments and mergers and acquisitions, the Company plans to add three dental medical institutions. This initiative effectively expands the coverage of our service network, enabling more patients to conveniently access high-quality dental medical services.

(3) Implementation of major strategic initiatives

1. Successful Share Issuance: on 24 January 2025, the Company successfully issued 228 million shares at a subscription price of HK$0.14 per share, raising net proceeds of approximately HK$31.72 million. The proceeds from the financing will be strategically allocated to key areas such as technology research and development, market expansion, and industry chain integration, further enhancing the Company's market competitiveness.

2. Exploration of business diversification: the Company intends to acquire no less than 51% in Guangdong-Hong Kong-Macao Greater Bay Area Health Care Management, aiming to deeply explore the development potential of the healthcare market in the Greater Bay Area. Through integrating resources, the Company seeks to achieve horizontal expansion and synergistic development across its business areas. In addition, the Company is actively exploring the in-depth integration of healthcare and the Internet, and plans to launch an online oral health service platform to provide patients with one-stop services such as remote diagnosis and consultation appointments to fully addressing their diversified needs.

2. 2025: SEIZING OPPORTUNITIES AND FOCUSING ON THREE CORE AREAS TO CREATE A NEW CHAPTER

(1) Anchored to the frontier and invested in three favorable projects to set up biotechnology business

In 2025, the Group will invest in the dental pulp cell project of Beijing Sanyouli and actively engage in the field of cutting-edge biotechnology. As a frontier direction in oral healthcare, research on dental pulp cells is expected to revolutionize the treatment path of oral diseases, achieving major breakthroughs in pulp regeneration therapy and significantly enhancing patients' treatment outcomes and quality of life.

By investing in the project, the Group will acquire cutting-edge technological resources, accelerating the conversion of technological achievements and deeply integrating innovative achievements into the existing oral healthcare services and product systems. This will not only provide patients with higher-quality services, but also create a strong synergistic effect with the business expansion of Shenzhen Herui Health International Management Co., Ltd. under the Group after it obtained the Class II medical qualifications, further consolidating the Group's leading technological position in the industry and jointly creating a vibrant oral healthcare innovation ecosystem. In addition, this initiative will facilitate the Group to develop more in-depth cooperation with upstream and downstream enterprises and promote the optimization and upgrading of the oral healthcare industry chain, bringing strong technological energy to the Group's long-term development.

(2) Empowering Shenzhen Herui's business with Class II Qualifications

Shenzhen Herui Health International Management Co., Ltd. under the Group has successfully obtained the Class II medical qualifications. This achievement significantly broadens the business scope of Shenzhen Herui, allowing it to engage in more high-value businesses. In the future, with this qualification, Shenzhen Herui will actively introduce advanced Class II medical devices to expand the Group's product line and provide stronger support for oral healthcare services. At the same time, by offering related medical services, it will accumulate professional experience and enhance service quality. This will create a synergistic effect with the Group's investment in the Sanyouli project and the planned AI system development, promoting the Group's comprehensive development in the field of oral healthcare.

(3) Empowering technology to create an innovative system

The Company will focus on the development of an AI lifecycle management system for the treatment of periodontitis and dental pulp cells. This project holds significant innovation and growth potential.

1. Technological innovation leads to change: the system deeply integrates the cutting-edge biomedical technology of dental pulp cell therapy with AI, breaking the inherent limitations of traditional medical models. Leveraging AI's powerful big data processing and analytical capabilities, the system is able to achieve more accurate diagnoses, personalized treatment plans, and real-time monitoring and adjustments during the treatment process, setting a new trend in technological development within the field of oral healthcare field.

2. Service upgrades benefit patients: the lifecycle management system aims to provide patients with a higher quality, more efficient, and personalized service experience. Through early and accurate diagnoses, the system helps patients receive timely treatment and prevent delays. Personalized treatment plans significantly improve both treatment effectiveness and safety. The long-term health management feature effectively prevents disease recurrence and comprehensively improving patients' oral health and quality of life.

3. Enhancing strength for competitive advantage: Once the innovative system is successfully developed and applied, it will significantly enhance the status and reputation of China Oral Industry Group in the industry and attract more patients to choose our services. In addition, the system will create a strong technological barrier, securing a competitive advantage in a fierce market landscape. Although the research and development process will face challenges such as technical research and development difficulties, data privacy protection, and the integration of cross-domain talents, the project's forward-thinking vision and ambitious goals demonstrate its strong innovative vitality and development potential.

May the Year of the Snake bring you prosperity, good health, success in your careers, and happiness in your families!

Yan Ping
Hong Kong, 31 March 2025

BUSINESS REVIEW

The year of 2024 was one filled with challenges and opportunities. Against a backdrop of persistent global economic uncertainties, and diversified market demands, the Group faced unprecedented pressures while simultaneously gaining momentum.

The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories, the provision of dental clinic services and sales of dental related products, and sales of yarn and polyester in the People's Republic of China ("**PRC**").

Inflatable products business

Founded in 2003, the Group has over 20 years of experience in designing, manufacturing, and selling high-quality inflatable amusement parks and other inflatable products.

Inflatable products business has recovered from early 2024, yielding a 15.6% growth in revenue from approximately RMB151,177,000 in 2023 to approximately RMB174,710,000 in 2024. Throughout our stringent cost control measures, the gross profit ratio from the inflatable products business increased from 15.8% in 2023 to 22.8% in 2024.

Dental clinic business

Since 2023, the Group has attempted a foray into the oral health care industry.

In January 2023, the Group acquired the entire equity interest in Hongkong Eko Holding Co., Limited and its subsidiaries which are engaged in the operation of a dental clinic, the provision of dental clinic services, and sales of dental related products and equipment in the PRC.

In 2024, dental clinic services business fared quite well, experiencing a steady growth in revenue; however, sales of medical equipment made a loss mainly due to the price war in the PRC, resulting in a gross loss and significant write-down in the related inventories.

Yarn and polyester business

In January 2024, the Group has completed the acquisition of the entire equity interest in HongKong Taixing Holding Co., Limited and its subsidiaries which are engaged in the sales of yarn and polyester in the PRC. Within our expectation, the yarn and polyester business was performing well in 2024 and contributing 14.6% of the Group's revenue.

OUTLOOK

Looking forward 2025, we are filled with confidence and anticipation. With the gradual recovery of the global economy, we foresee increased opportunities and possibilities.

The Group does not discount the impact of the escalating geopolitical conflicts, the imminent trade war and the economic slowdown in China to the Group's business. The Group will remain vigilant and prudent in managing operating costs, business growth and the risk profile of our business portfolio. The Group believes that with its experience and production knowhow, it is strategically well-positioned to manage its business and capitalise on opportunities which may arise in future.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from three principal businesses, namely, the sales of inflatable products and related accessories, the provision of dental clinic services and sales of dental related products, and sales of yarn and polyester which are analysed in note 5 to the consolidated financial statements.

The Group's revenue was approximately RMB230,959,000 in 2024, representing an increase of approximately RMB64,042,000 or 38.4% as compared to the revenue of approximately RMB166,917,000 in 2023.

Revenue from the inflatable products business in 2024 was approximately RMB174,710,000, representing an increase of approximately RMB23,533,000 or 15.6% as compared with approximately RMB151,177,000 in 2023. Revenue from the provision of dental clinic services was approximately RMB10,257,000 (2023: RMB9,695,000), representing an increase of approximately RMB562,000 or 5.8%. Sales of medical equipment and dental materials in 2024 was approximately RMB12,274,000 (2023: RMB6,045,000), representing an increase of approximately RMB6,229,000 or 103%. Revenue from the sales of yarn and polyester in 2024 was approximately RMB33,718,000 (2023: Nil) which accounted for approximately 14.6% of the Group's total revenue.

Cost of sales

Cost of sales was approximately RMB193,708,000 in 2024, representing an increase of approximately RMB53,826,000 or 38.5% as compared to approximately RMB139,882,000 in 2023.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB37,251,000 in 2024, representing an increase of approximately RMB10,216,000 or 37.8% compared with 2023 (2023: approximately RMB27,035,000). Overall gross profit margin was approximately 16.1% in 2024, representing a decrease of approximately 0.1% as compared to that of 2023 (2023: approximately 16.2%). Such decrease was mainly due to the higher gross profit margin from the inflatable products business but partly offset by the dental clinic business. In 2024, the gross profit margin was approximately 22.9% from the inflatable products business and approximately 5.1% from the yarn and polyester business, and the gross loss margin of 19.6% from the dental clinic business.

Other income and gains

Total other income and gains was approximately RMB2,586,000 in 2024, representing a decrease of approximately RMB2,882,000 or 52.7% as compared with that of 2023 (2023: approximately RMB5,468,000). Such decrease was mainly due to (i) the decrease in exchange gains of approximately RMB2,198,000, (ii) the absence of rental income of approximately RMB240,000, (iii) the absence of a gain on lease modification of approximately RMB280,000, (iv) the absence of gain on fair value changes of financial assets at fair value through profit or loss of RMB137,000, (v) the decrease in income of approximately RMB235,000 and partly offset by (vi) a gain on disposal of property, plant and equipment of approximately RMB220,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB26,296,000 in 2024, representing an increase of approximately RMB6,122,000 or 30.3% as compared to that of 2023 (2023: approximately RMB20,174,000).

Our distribution and selling expenses mainly comprise expenses for salaries and benefits paid to our sales and marketing staffs, travelling expenses, marketing and exhibition expenses, distribution and transportation expense, advertisement and recruitment expenses.

The increase was in line with the increase in revenue derived for the year and mainly included (i) the increase in sales service fee and commission of approximately RMB2,307,000, (ii) the increase in distribution and transportation expenses of approximately RMB2,010,000, (iii) the increase in salaries of approximately RMB578,000 and (iv) the increase in other sales related expense of approximately RMB1,227,000.

Administrative expenses

The administrative expenses was approximately RMB20,393,000 in 2024, representing an increase of approximately RMB800,000 or 4.1% as compared to that of 2023 (2023: approximately RMB19,593,000).

In spite of the newly acquired business, the Group's administrative expenses remained relatively stable in 2024 as compared to 2023. Our administrative expenses mainly comprise salaries and benefits paid to our staff in the administrative function, directors' remuneration, utilities expenses, travelling and transportation expenses, depreciation expenses, amortization expenses, insurance expenses, legal and professional expenses and other expense items such as repair and maintenance fees, entertainment fees, telephone and bank charges.

Impairment loss of goodwill

The Group tests at least annually whether goodwill has suffered any impairment. For the purpose of impairment testing, the estimate of recoverable amount is determined based on the value-in-use calculation. Based on the impairment assessment exercise, impairment loss of approximately RMB7,200,000 was recognised on goodwill relating to the dental clinic business in profit or loss during the year ended 31 December 2024 in order to write down the carrying amount of goodwill to the recoverable amount.

Finance costs

Finance costs was approximately RMB753,000 in 2024, representing a decrease of approximately RMB262,000 or 25.8% as compared to that of 2023 (2023: approximately RMB1,015,000).

Loss for the year

Loss for the year was approximately RMB16,439,000, representing a decrease of approximately RMB2,187,000 or 11.7% as compared to that of 2023 (2023: approximately RMB18,626,000).

Dividends

The Board does not recommend the payment of any dividend in 2024 (2023: Nil).

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

The Group finances its liquidity and financial requirements primarily through cash generated from operations and equity contributed from the shareholders of the Company.

As at 31 December 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB107,138,000 (2023: RMB104,665,000).

The current ratio of the Group as at 31 December 2024 was approximately 2.08 as compared to that of approximately 2.44 in 2023. The quick ratio of the Group as at 31 December 2024 was approximately 1.43 as compared to that of approximately 1.53 in 2023. The Group had bank borrowings of approximately RMB676,000 (excluding bank borrowings classified as held for sale of approximately RMB8,000,000) as at 31 December 2024 (2023: Nil) and the gearing ratio of the Group, as calculated by the total debt divided by the total equity, was approximately 0.6% (2023: Nil). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plan for Material Investments or Capital Assets

In January 2024, the Group has completed the acquisition of the entire equity interest in HongKong Taixing Holding Co., Limited and its subsidiaries.

Save as disclosed above, there was no other significant investment, material acquisition or disposal of subsidiaries or associated companies by the Group in 2024.

Contingent Liabilities

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: Nil).

Pledge of Assets

As at 31 December 2024, the Group had no assets pledged for bank borrowings or for other purpose (2023: Nil).

Commitments

As at 31 December 2024, the Group has entered into contractual commitments for the acquisition of property, plant and equipment of approximately RMB1,335,000 (2023: Nil).

Subsequent events

(i) On 6 December 2024, the Company entered into a subscription agreement with the subscriber, with supplemental agreement entered on 30 December 2024, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 228,000,000 subscription shares at the subscription price of HK$0.140 per subscription share.

    Completion took place on 24 January 2025 and a total of 228,000,000 ordinary shares of the Company has been issued to the subscriber at the subscription price of HK$0.14 per share. The net proceeds from the subscription are approximately HK$31.72 million.

(ii) The Company received a winding-up petition (the "**Petition**") on 10 February 2025 filed by a printing service provider Equity Financial Press Limited (the "**Petitioner**") against the Company at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") on 5 February 2025 in relation to the Company's overdue payment for printing services in a total outstanding amount of HK$541,150 and interest of HK$167,037.59 as at 31 December 2024.

The Company has been actively communicating with the Petitioner and the alleged debt has been settled and on 26 March 2025, by consent of the Petitioner and the Company, the High Court has ordered that the Petition be withdrawn and the hearing of the Petition on 19 April 2025 be vacated.

Foreign Currency Exposure

As the majority of the Group's revenue is denominated in US Dollars but the costs incurred by the Group for the production are denominated in RMB, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the business results of operations.

As a result of the business expansion to overseas markets, the Group will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group to use more RMB to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB may result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

Having considered the cost effectiveness with reference to the business model, the Group currently does not have a formal foreign currency hedging policy or engage in hedging activities designed or intended to manage such exchange rate risk during the reporting periods. Because RMB is not freely convertible, the ability of the Group to reduce foreign exchange risk is limited.

Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks and allowance for credit loss on trade and other receivables of approximately RMB1,634,000 was recognised in 2024 (2023: reversal of an allowance for credit loss of RMB94,000).

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

Employees and Remuneration Policies

As at 31 December 2024, the Group had 608 full-time employees (2023: 544). Most of the employees of the Group are located in the PRC. The total employee remuneration, including remuneration of Directors, amounted to approximately RMB51,161,000 in 2024 (2023: approximately RMB42,001,000).

The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws in Hong Kong and the PRC. The Group provides its employees with various benefits including discretionary bonus, contribution to social insurance premium and housing provident fund, and contribution to mandatory provident fund. The Group also offers options that may be granted to employees under the share option scheme.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Yan Ping (嚴萍) ("**Ms. Yan**"), aged 51, has been appointed as the chairlady of the Board and an executive Director since 17 December 2021. Ms. Yan is also the chairlady of the nomination committee of the Company (the "**Nomination Committee**"). Ms. Yan is the controlling shareholder of the Company (the "**Controlling Shareholder**").

From May 2001 to September 2009, Ms. Yan founded and served as the general manager of Xiamen Aidifei Trading Co., Ltd.* (廈門市愛迪菲商貿有限公司). From May 2010 to June 2015, Ms. Yan served as the sole director of Angel Fly (HK) Int'l Investment Management Limited (安吉飛兒香港(國際)投資管理有限公司) (currently dissolved). From April 2017 to May 2020, Ms. Yan served as a regional general manager of Beijing Tongrentang Health Pharmaceutical Co., Ltd. (北京同仁堂健康藥業股份有限公司). Ms. Yan has been the chairlady of the board of China Oral Industry Group Limited (中國口腔產業集團有限公司) since June 2021.

Mr. Liu Yao Guang (劉耀光) ("**Mr. Liu**"), aged 53, has been appointed as the chief executive officer of the Company and an executive Director since 17 December 2021. Mr. Liu is also a member of the remuneration committee of the Company (the "**Remuneration Committee**").

From September 1993 to June 2002, Mr. Liu served as a training manager of the personnel department of Shijiazhuang Oriental City Plaza Co., Ltd.* (石家莊東方城市廣場有限公司). From July 2002 to July 2009, Mr. Liu served as a sales director and deputy general manager of Shandong Fengxiang Food Co., Ltd* (山東鳳祥食品有限公司). From August 2009 to December 2012, Mr. Liu served as a deputy general manager of Beijing Spicy Temptation Food Co., Ltd.* (北京麻辣誘惑食品有限公司). Mr. Liu is currently a partner, and serves as a director of Beijing Hejun Consulting Co., Ltd.* (北京和君諮詢有限公司), Hebei Hejun Enterprise Management Consulting Co., Ltd.* (河北和君企業管理諮詢有限公司) and Hebei Deyun Enterprise Management Consulting Co., Ltd.* (河北德運企業管理諮詢有限公司) since January 2013, May 2014 and January 2018 respectively.

Mr. Liu obtained his bachelor's degree in education (major in physical education) from Hebei Institute of Physical Education (河北體育學院) in July 1993.

Mr. Xiao Jiansheng (肖健生) ("**Mr. Xiao**"), aged 62, is an executive Director. Mr. Xiao is responsible for overseeing the Group's operation, business development, finance and administration. Mr. Xiao joined the Group in June 2003. He was appointed as the director on 1 February 2016, re-designated as the chief executive officer and executive Director of the Company on 5 March 2016, and resigned as the chief executive officer of the Company, a member of each of the Remuneration Committee and the Nomination Committee on 17 December 2021.

Mr. Xiao has over 33 years of experience in the amusement products design and manufacturing industry. Mr. Xiao obtained a bachelor's degree in hydraulic transmission from Wuhan Huazhong Institute of Technology (武漢華中工學院) in July 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Jindan (沈錦丹) ("**Ms. Shen**"), aged 45, has been appointed as an independent non-executive Director since 17 December 2021. Ms. Shen is also a member of each of audit committee of the Company (the "**Audit Committee**") and the Nomination Committee.

From February 2016 to December 2018, Ms. Shen served as a tutor of Guandong Limingtang Digital Culture Technology Development Co., Ltd.* (廣東立明堂數位文化科技發展有限公司) ("**Limingtang**"). From January 2019 to December 2020, Ms. Shen served as a general manager of the education center of Limingtang. Ms. Shen has been a director of the overseas business department of Limingtang since October 2019 and has been a deputy general manager of Limingtang since January 2021.

* *For identification purposes only*

Ms. Lian Jingyu (連菁鈺) ("**Ms. Lian**"), aged 49, has been appointed as an Independent non-executive Director since 30 June 2022. Ms. Lian is also the chairlady of the Audit Committee and a member of each of Remuneration Committee and Nomination Committee.

Ms. Lian obtained a bachelor's degree in Accounting from Hubei University in June 2011. Ms. Lian is qualified as a Certified Public Accountant in China since 2002.

Ms. Lian has over 20 years of accounting and financial related work experience in different accounting firms. From January 2002 to May 2014 and May 2015 to December 2018, Ms. Lian served as a senior project manager of the BDO China Shu Lun Pan CPAs Xiamen Branch (立信會計師事務所廈門分所). From December 2018 to May 2022, Ms. Lian served as deputy manager accountant of the Xiamen Taixin CPA Limited Company (廈門鈦信會計師事務所有限公司).

Ms. Deng Xin (鄧昕) ("**Ms. Deng**"), aged 50, has been appointed as an Independent non-executive Director since 30 June 2022. Ms. Deng is also the chairlady of the Remuneration Committee and a member of Audit Committee.

Ms. Deng has over 28 years of experience in Stomatology and holds a national mid-level qualification in Stomatology since December 2011. From December 1995 to March 2011, Ms. Deng served as a registered doctor of the Jilin Hospital of Integrated Traditional Chinese and Western Medicine (吉林省吉林中西醫結合醫院) as known as the Jilin Third People's Hospital (吉林市第三人民醫院). From September 2011 to March 2014, Ms. Deng served as the Dean of the Jilin Jikang Dental Hospital (吉林市吉康口腔醫院). From April 2014 to November 2019, Ms. Deng served as a regional general manager in Bybo Medical Group Limited (拜博醫療集團有限公司). From November 2019 to May 2022, Ms. Deng served as the Dean of Xiamen Kanger Dental OPD Limited Company (廈門康爾口腔門診部有限責任公司).

Ms. Tseung Choi Wing (蔣采穎) ("**Ms. Tseung**") , aged 52, a practicing lawyer in China, has worked for several well-known law firms in Hong Kong and engaged in various legal matters related to China and Hong Kong law, including Sidley Austin Law Firm, one of the top ten law firms in the world, focusing on corporate IPO financing for over ten years.

Ms. Tseung is the holder of SFC Type 6 (Advising on Corporate Finance) Licence. She is the Chairman of PRC Law Association of Hong Kong, Attorney for the Supreme Court's First Circuit, Committee Member of the International, Hong Kong, Macao and Taiwan of Shenzhen Lawyers Association, Expert of Bad Assets Expert Database of Shenzhen Lawyers Association, Mediator of the Mediation Center of Shenzhen Lawyers Association and the first batch of lawyers of Shenzhen Futian Legal Aid Advisory Group for the Protection of Minors' Rights and Interests.

Ms. Tseung engages in corporate finance and cross-border cases related business. She is familiar with enterprise capital market operation, processing enterprises of all different kinds of legal matter, she has been legal consultant for several companies. She also assisted several private enterprises to list in Hong Kong, which included but not limited to Teamway Intl GP (1239.HK), Evergrande Property (3333.HK), CL Group (8098.HK), Shenzhen Kaisa Industry Group (1638.HK) and Welcome Inn (8160.HK). From 31 May 2021 to 15 December 2021, Ms. Tseung was appointed as an independent non-executive director of Huiyin Holdings Group Limited, whose shares were formerly listed on the Main Board of the Stock Exchange (1178.HK).

SENIOR MANAGEMENT

Mr. Wang Haifeng (王海峰) ("**Mr. Wang**"), aged 54, joined the Group in June 2003 and is the Financial Controller of the Group now. Mr. Wang has over 23 years of experience in financial accounting.

Mr. Wang is primarily responsible for overseeing and enhancing the accounting function of the Group's accounts and finance department. He has been a director of one of the subsidiaries, Swiftech Company, since August 2015. Mr. Wang obtained his associate degree in corporate financial accounting from Shaanxi Finance & Economics Institute (陝西財經學校) in July 1995. He obtained the qualification of assistant accountant conferred by the Ministry of Finance of the PRC in May 1998. He obtained an associate degree in accounting from China Central Radio and TV University (中央廣播電視大學) in January 2009.

Ms. Lin Yannong (林燕儂) ("**Ms. Lin**"), aged 52, joined the Group in June 2003 and is the Marketing Director of the Group now. Ms. Lin has over 23 years of experience in sales and marketing.

Ms. Lin is primarily responsible for planning and handling marketing and promotional activities. She obtained a bachelor's degree in international business and economics from Shantou University (汕頭大學) in June 1994 and a postgraduate diploma in business-to-business market management from the School of Professional and Continuing Education of the University of Hong Kong (香港大學專業進修學院) in August 2015.

Ms. Li Qiuhong (李秋紅) ("**Ms. Li**"), aged 53, joined the Group in June 2003 and is the Head of Production Department of the Group now. Ms. Li has over 23 years of experience in factory management.

Ms. Li is primarily responsible for overseeing the production of the Group, she completed an international business administration workshop (國際高級工商管理總裁研修班) at the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in October 2011.

Mr. Zhu Wenyi (朱文軼) ("**Mr. Zhu**"), aged 46, joined the Group in May 2004 and is the Art Director of the Group now. Mr. Zhu has over 13 years of experience in product design.

Mr. Zhu is primarily responsible for product design of the Group, he obtained a bachelor's degree in Arts and Design from Guangzhou Academy of Fine Arts (廣州美術學院) in July 2003.

JOINT COMPANY SECRETARIES

Ms. Chim Lai Kuen (詹麗娟) ("**Ms. Chim**"), aged 43, has been appointed as the company secretary of the Company since 30 June 2023. Ms. Chim is a manager at Bonafida Corporate Advisory Limited. She has over 18 years of experience in company secretarial, corporate governance and auditing services. She holds a Bachelor's Degree of Commerce from The University of Melbourne and a Postgraduate Diploma in Professional Accounting from Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants.

Ms Chan Lok Yin (陳樂燕) ("**Ms Chan**"), aged 39, holds a Bachelor's Degree of Accounting issued from Edinburgh Napier University in United Kingdom in 2008. She is a member of Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Chartered Governance Institute. She has been working for a number of listed companies in Hong Kong during the past years, taking the positions of financial controller and/or company secretary. Ms. Chan has accumulated over 10 years of auditing, accounting, corporate governance and company secretarial experience. Ms. Chan is also the company secretary of AMCO United Holding Limited (stock code: 630), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and World Super Holdings Limited (stock code: 8612), whose shares are listed on GEM of the Stock Exchange, since January 2023 and May 2023 respectively.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2024 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories, and the provision of dental clinic services and sales of dental related products. During the year, upon the completion of acquisition of HongKong Taixing Holding Co., Ltd, the Company commenced the business of trading in yarn and polyester. There were no other significant changes in the nature of the Group's principal activities during the Year.

An analysis of the Group's performance for the Year by geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group at that date are set out in the consolidated financial statements on pages 76 to 77.

The Board does not recommend the payment of any final dividend for the Year to the shareholders of the Company (2023: Nil).

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the Year, is set out on page 156 in this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Company and a discussion and analysis of the Group's performance during the Year and the outlook of Company's business can be found in the Management Discussion and Analysis set out on pages 7 to 11of this annual report. This discussion forms part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

1. The Group's past revenue and profit margin may not guarantee the Group's future revenue and profit margin.

2. The Group is subject to risks of fluctuations in the exchange rate between RMB and US Dollars.

3. The Group is subject to risks associated with marketing, distribution and sales of its products internationally.

4. Sales of the Group's products are subject to changes in consumer perception and preference.

5. The Group may be subject to product liability claims.

6. Fluctuations in the price and supply of raw materials may bring negative impact to the performance of the Group.

7. The Group is dependent on a skilled workforce in the PRC to run its production facilities and the Group may experience a shortage of labour or its labour costs may increase.

8. The Group is subject to environmental protection regulations and requirements.

9. The Group is subject to changes in economic, political and social conditions in the PRC and policies adopted by the PRC government.

10. The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Year, the Group continued to focus on improving its performance in environmental protection, enhancing the awareness of environmental protection and proactively addressing the environmental issues. The Group endeavoured to adopt various energy saving and emission reduction measures in its business operation, so as to reduce the consumption of natural resources by using environmentally-friendly products and verified materials.

Please refer to the Environmental, Social and Governance Report as set out on pages 39 to 71 of this annual report for the details of environmental policies and performance of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, 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 Company and its subsidiaries during the Year.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group considers its customers as one of the most important stakeholders. The Group's commitment to continue its dedication to quality control, product safety and customer service are essential in maintaining the trust of its customers. Besides selling its products in the domestic market, the Group also sold to over 40 countries in Europe, Australia and Oceania, North America, Asia, Central and South America and Africa during the year ended 31 December 2024. During the Year, the Group recorded revenue of approximately RMB154,195,000 from the sales to overseas customers (2023: approximately RMB140,136,000), which accounted for approximately 66.8% of the total revenue (2023: approximately 84.0%). The Group recorded approximately 50.4% of the total revenue from the Group's top five customers (2023: approximately 60.7%). The Directors believe that the well-established relationships with major customers of the Group and market conditions, together with the reliable and high-quality products and dedicated customer service, will continue to strengthen market presence and future expansion of the Group.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

Suppliers

The Group selects the suppliers on the basis of product quality, their background and credibility, reputation, service, price, scale of production and ability to meet the delivery schedule and requests. The Group typically works with reputable and reliable suppliers to secure key raw materials such as air blowers used in production process. The Group has established stable and good relationships with its suppliers of principal raw materials. The raw materials are generally available from a number of domestic suppliers, and the Group normally will have at least two sources of supply for each type of raw materials to avoid dependency. The Group requires goods provided by the Group's suppliers to meet high quality standards and to conduct regular evaluation on suppliers. During the Year, purchases of materials from the Group's five largest suppliers amounted to approximately RMB52,507,000 (2023: approximately RMB70,377,000) and represented approximately 44.2% of the total cost of goods purchased (2023: approximately 66.1%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

Subcontractors

During the year ended 31 December 2024, the Group subcontracted a portion of sewing, printing, bleaching and dyeing and packaging works to 20 subcontractors (2023: 9), which are mainly local factories involving in sewing, bleaching and dyeing and packaging works. The total subcontracting fees amounted to approximately RMB11,316,000 (2023: approximately RMB12,561,000), representing approximately 5.8% of the total cost of sales (2023: approximately 9.0%). Subcontractors are selected based on assessment of (i) service quality; (ii) timeliness on delivery; (iii) quotation; and (iv) whether they have a quality assurance system that meets the Group's work requirements.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's subcontractors.

Employees

The Group recognises employees as valuable assets of the Group, the Group intends to use the best effort and retain appropriate and suitable personnel to serve the Group. The Group assesses available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group. The Directors believe that good working relationship is maintained with its employees.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the Year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	26.6%
– five largest customers in aggregate	50.4%
Purchases	
– the largest supplier	21.8%
– five largest suppliers in aggregate	44.2%

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in these major customers or suppliers.

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.

SHARE CAPITAL

Details of the Company's share capital are set out in note 30 to the consolidated financial statements.

DEBENTURE ISSUE

During the Year, the Company has not issued any debenture.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 78 of this annual report and note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTION

Save as disclosed in note 40 to the consolidated financial statements, no other related party transactions were conducted by the Group during the Year.

None of the related party transactions constituted connected transactions under Chapter 20 of the GEM Listing Rules which were required to be disclosed.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to its shareholders, amounted to approximately RMB42,715,000 (2023: approximately RMB34,225,000).

DIVIDEND POLICY

The Group adopted a dividend policy (the "**Dividend Policy**") on 31 December 2018. A summary of this policy is disclosed as below.

The dividend policy of the Company is to distribute to its shareholders the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the shareholders of the Company, subject to the criteria as set out below.

In accordance with the articles of association of the Company and subject to the relevant laws under the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company, in deciding whether to propose a dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the shareholders of the Company, dividends received from the Company's subsidiaries, and other factors that the Board considered relevant.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 15 November 2017 (the "**Scheme**") pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group. As at the date of this annual report, the remaining term of the Scheme was approximately 4 years.

The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The summary of the principal terms of the Scheme are as follows:

1.	Purpose of the Scheme	Provide additional incentive to eligible participants for attracting and retaining the best available personnel, to promote the success of the business of our Group.
2.	Eligible participants	Any eligible 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.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital	80,000,000 shares (equivalent to 10% of total issued share capital immediately following adoption of the Scheme on 15 November 2017).
4.	Maximum entitlement of each participant	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.
5.	The period within which the shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.

6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option	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 our Company on acceptance of the offer for the grant of an option is HK$1.
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: (a) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and (c) the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 15 November 2017 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

DIRECTORS

The Directors during the Year and up to the date of this annual report were as follows:

Executive Directors

Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent non-executive Directors

Ms. Shen Jindan
Ms. Deng Xin
Ms. Lian Jingyu
Ms. Tseung Choi Wing, Queenie (appointed on 16 July 2024)

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is provided pursuant to the articles of association of the Company and the relevant laws and regulations and is currently in force and was in force throughout the Year.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Yan Ping, Mr. Liu Yao Guang and Mr. Xiao Jiansheng has entered into a service agreement with our Company for an initial fixed term of three years commencing on their appointment date which may only be terminated in accordance with the provisions of the service agreement or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than three months' prior notice in writing.

Ms. Tseung Choi Wing Queenie signed a letter of appointment with the Company dated 16 July 2024 that shall expire at the closure of the forthcoming annual general meeting.

Ms. Lian Jingyu, Ms. Shen Jindan and Ms. Deng Xin has each entered into a letter of appointment for an initial term of one year with effect from 30 June 2024. All of the letter of appointments mentioned above are terminable by either party giving to the other not less than three months' prior notice in writing.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company (the "**2025 AGM**") has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's Controlling Shareholder, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholder, during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or a connected entity of the Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Ms. Tseung Choi Wing Queenie has been appointed as an independent non-executive Director, and a member of the audit committee, nomination committee and remuneration committee since 16 July 2024.

Save as the information above, the Company is not aware of any changes in information of directors or chief executive which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section headed "Share Option Scheme", at no time for the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 14 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the Year or subsisted at the end of the year.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements, respectively. The emolument of the number of the highest paid individuals who are not the Directors for the Year are set out in note 12 to the consolidated financial statements.

The emoluments of the senior management of the Group for the Year falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK$1,000,000	2
HK$1,000,000 to HK$1,500,000	1
	3

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans are set out in note 33 to the consolidated financial statements.

REMUNERATION POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company (the "**Chief Executive**") in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the "**Required Standard of Dealings**") or Rule 23.07 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of shares held	Percentage of shareholding *(Note 1)*
Ms. Yan Ping	Beneficial owner	424,560,000	37.24%

Note:

(1) The percentage is calculated on the basis of 1,140,000,000 ordinary shares of the Company in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 31 December 2024, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no other person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares and underlying shares of the Company which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company, or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

COMPETING AND CONFLICT OF INTERESTS

During the Year, the Directors, and the Controlling Shareholder and her close associates do not have any interest in a business apart from the Group's business which competes and is likely to compete, directly or indirectly, with its business.

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

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

CLOSURE OF REGISTER OF MEMBERS

The 2025 AGM is scheduled to be held on Friday, 6 June 2025.

In order to establish entitlements to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, 3 June 2025 to Friday, 6 June 2025, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 2 June 2025.

EVENTS AFTER THE REPORTING PERIOD

(i) On 6 December 2024, the Company entered into a subscription agreement with the subscriber, with supplemental agreement entered on 30 December 2024, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 228,000,000 subscription shares at the subscription price of HK$0.14 per subscription share.

    Completion took place on 24 January 2025 and a total of 228,000,000 ordinary shares of the Company has been issued to the subscriber at the subscription price of HK$0.14 per share. The net proceeds from the subscription are approximately HK$31.72 million. Further details are set out in the Company's announcements dated 6 December 2024, 30 December 2024 and 24 January 2025.

(ii) The Company received a winding-up petition (the "**Petition**") on 10 February 2025 filed by a printing service provider Equity Financial Press Limited (the "**Petitioner**") against the Company at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") on 5 February 2025 in relation to the Company's overdue payment for printing services in a total outstanding amount of HK$541,150 and interest of HK$167,037.59 as at 31 December 2024.

    The Company has been actively communicating with the Petitioner and the alleged debt has been settled and on 26 March 2025, by consent of the Petitioner and the Company, the High Court has ordered that the Petition be withdrawn and the hearing of the Petition on 19 April 2025 be vacated. Further details are set out in the Company's announcements dated 10 February 2025, 12 February 2025, 13 March 2025 and 26 March 2025.

DONATIONS

Charitable donations made by the Group during the Year amounted to RMB75,000 (2023: RMB75,000).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 38 of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment at the 2025 AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company is to be proposed at the 2025 AGM. The auditors of the Company have not been changed for the three years ended 31 December 2024.

On behalf of the Board

Ms. Yan Ping
Chairlady and Executive Director

Hong Kong, 31 March 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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 ended 31 December 2024.

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders of the Company and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 December 2024.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Compositions and Responsibilities

The Board as at the date of this annual report:

Executive Directors

Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent non-executive Directors

Ms. Shen Jindan
Ms. Lian Jingyu
Ms. Deng Xin
Ms. Tseung Choi Wing, Queenie (appointed on 16 July 2024)

In compliance with Rules 5.05A, 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders of the Company are taken into account. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "**Board Committees**").

The biographical details of the Directors and senior management of the Company are set out in the section headed with "Biographical Details of the Directors and Senior Management" from pages 12 to 14 of this annual report. Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

APPOINTMENT AND RE-ELECTION

Each of the executive Directors and the non-executive Director entered into a service contract with the Company and each of the independent non-executive Directors entered into letters of appointment with the Company. The service contracts with the executive Directors and the non-executive Director and the letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years. The aforementioned service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable GEM Listing Rules.

According to Article 108 of the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Accordingly, Mr. Liu Yao Guang and Ms. Lian Jingyu will retire as Director at the 2025 AGM and, being eligible, will offer themselves for re-election.

According to Article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under Article 112 of the articles of association of the Company shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting of the Company pursuant to Article 108 of the articles of association of the Company. Accordingly, Ms. Tseung Choi Wing Queenie will retire as an independent non-executive Director at the 2025 AGM and, being eligible, will offer herself for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed election of Mr. Liu Yao Guang as executive Director, and Ms. Lian Jingyu and Ms. Tseung Choi Wing Queenie as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. During the year ended 31 December 2024, Ms. Yan Ping is the Chairlady of the Board and Mr. Liu Yao Guang is the Chief Executive Officer of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors have received training hosted by the Company's legal adviser which was about, inter alias, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

The records of training and continuous professional development during the year ended 31 December 2024 that have been received from the Directors still in office as at 31 December 2024 are summarised as follows:

Directors	Type of Training(Note)
Ms. Yan Ping	A and B
Mr. Liu Yao Guang	A and B
Mr. Xiao Jiansheng	A and B
Ms. Shen Jindan	A and B
Ms. Deng Xin	A and B
Ms. Lian Jingyu	A and B
Ms. Tseung Choi Wing Queenie	A and B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Independence Evaluation

The Company has a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2024, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website "www.hkexnews. hk" and the Company's website at "www.chinaoral.co". All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the board meetings set out below.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The Audit Committee was established on 20 June 2017. As at 31 December 2024, the chairlady of the Audit Committee is Ms. Lian Jingyu, an independent non-executive Director, and other members include Ms. Shen Jindan, Ms. Deng Xin and Ms. Tseung Choi Wing Queenie, the independent non-executive Directors. The written terms of reference of the Audit Committee are in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code and posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has held two meetings during the year ended 31 December 2024 to review and comment on the Company's 2023 annual results, and 2024 interim results as well as the Company's internal control procedures and risk management system, the attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Lian Jingyu *(Chairlady)*	2/2
Ms. Shen Jindan	0/2
Ms. Deng Xin	2/2
Ms. Tseung Choi Wing Queenie (Note)	1/1

Note: Appointed on 16 July 2024

The Group's consolidated financial statements for the year ended 31 December 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2024 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 20 June 2017. As at 31 December 2024, the chairlady of the Remuneration Committee is Ms. Deng Xin, an independent non-executive Director, and other members include Mr. Liu Yao Guang, being the Chief Executive Officer and an executive Director, Ms. Lian Jingyu and Ms. Shen Jindan and Ms. Tseung Choi Wing Queenie, being the independent non-executive Directors. The written terms of reference of the Remuneration Committee are in compliance with paragraph E.1.2 of the CG Code and posted on the Stock Exchange's website and the Company's website. No material matters relating to share schemes under Chapter 32 of GEM Listing Rules were required to be reviewed or approved by the Remuneration Committee during the year ended 31 December 2024.

The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management.

The Remuneration Committee has held one meeting during the Year, the attendance of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Deng Xin *(Chairlady)*	1/1
Mr. Liu Yao Guang	1/1
Ms. Lian Jingyu	1/1
Ms. Tseung Choi Wing Queenie (Note)	0/0

Note: Appointed on 16 July 2024

Nomination Committee

The Nomination Committee was established on 20 June 2017. As at 31 December 2024, the chairlady of the Nomination Committee is Ms. Yan Ping, the Chairlady of the Board and an executive Director, and other members include Ms. Shen Jindan, Ms. Lian Jingyu and Ms. Tseung Choi Wing Queenie, being the independent non-executive Directors. The written terms of reference of the Nomination Committee are in compliance with paragraph B.3.2 of the CG Code and posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee include reviewing and assessing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer of the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee has held two meetings during the Year, the attendance of the members of the Nomination Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Yan Ping *(Chairlady)*	2/2
Ms. Shen Jindan	0/2
Ms. Lian Jingyu	2/2
Ms. Tseung Choi Wing Queenie (Note)	1/1

Note: Appointed on 16 July 2024

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the year ended 31 December 2024, four Board meetings were held. Details of the attendance of each Director at the Board meetings and annual general meeting of the Company are set out below:

	Number of attendance	
	Number of meetings	**AGM**
Executive Directors		
Ms. Yan Ping *(Chairlady)*	4/4	1/1
Mr. Liu Yao Guang *(Chief Executive Officer)*	4/4	1/1
Mr. Xiao Jiansheng	4/4	1/1
Independent non-executive Directors		
Ms. Shen Jindan	0/4	0/1
Ms. Lian Jingyu	4/4	1/1
Ms. Deng Xin	4/4	1/1
Ms. Tseung Choi Wing Queenie (Note)	3/3	0/0

Note: Appointed on 16 July 2024

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the Year.

The Independent Non-executive Directors and Non-executive Directors have attended general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

Joint Company Secretaries

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on corporate governance matters.

Upon the appointment of Ms. Chan Lok Yin on 29 November 2024, Ms. Chim Lai Kuen and Ms. Chan Lok Yin are joint company secretaries of the Company ("**Joint Company Secretaries**"). Their primary contact person of the Company is Mr. Liu Yao Guang, the Chief Executive Officer of the Company.

In compliance with Rule 5.15 of the GEM Listing Rules, both Ms. Chim Lai Kuen and Ms. Chan Lok Yin have undertaken no less than 15 hours of relevant professional training to update her skill and knowledge during the Year. The Biographical details of the Joint Company Secretaries are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed. The remuneration paid or payable to the external auditors of the Company HLB Hodgson Impey Cheng Limited in respect of audit services and non-audit services for the year ended 31 December 2024 amounted to RMB0.8 million and Nil, respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2024 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 December 2024 as required under Code Provision D.2.5 of the CG Code. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

The Company understands its obligations under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to the Company's attention and/or it is the subject of a decision unless it falls within the SFO safe harbours. Meanwhile, the Company has set up an inside information policy, the insider internal reporting obligations, reporting procedures and liability of disclosure of information of the personnel concerned has been clearly stated, and the Company shall arrange self-examination in a timely manner in accordance with the provisions of the relevant regulatory authorities. The real-time monitoring performed by the Company may involve the inside information, and should organize intermediary agencies to determine whether the information belongs to an inside information and practical, if it has fulfilled the disclosure requirements, will soon organize the disclosure and will strictly control the scope of the monitoring before the disclosure, the volatility of share price will be monitored until the disclosure of inside information is completed; if the disclosure requirements are not satisfied, the Company will also maintain strict confidentiality

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Year.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 31 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

* An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender Male: 2 Directors Female: 5 Directors	**Age Group** 41–50: 3 Directors 51–60: 3 Director 61–70: 1 Director
Designation Executive Directors: 3 Directors Independent Non-executive Directors: 4 Directors	**Educational Background** Business Administration: 4 Directors Account and Finance: 1 Director Medical: 1 Director Law: 1 Director
Nationality Chinese: 7 Directors	

* The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

* The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

As at 31 December 2024, the gender ratio in the workforce (including senior management) is approximately 36% male and 64% female, which is regarded by the Board as satisfactory and in line with the industry which the Group operates its businesses in. The Group provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination.

The Company will continue to take gender diversity into consideration during recruitment such that there is a pipeline of potential candidates in all working levels and successors to the Board in the future. The Board will periodically monitor the gender composition of the workforce and set targets if and as needed.

DIRECTOR NOMINATION POLICY

The Company adopted a Director Nomination Policy (the "**Director Nomination Policy**") on 31 December 2018 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees.

Monitoring and Reporting

The Nomination Committee will monitor the implementation of the Director Nomination Policy and review it as appropriate, to ensure the effectiveness of the Director Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024, as far as the Board and management are aware, there was no material breach of non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website and the Company's website;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

SHAREHOLDERS' RIGHTS

In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the GEM Listing Rules are published on the websites of the Company and the Stock Exchange.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at a general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong. For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the financial position, financial performance and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements. The Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report on pages 72 to 75 of this annual report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there is no change in the Company's memorandum and articles of association.

INTRODUCTION AND APPROACH TO ESG AND REPORTING

China Oral Industry Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is principally engaged in the manufacturing and sales of inflatable products and related accessories.

The Group is pleased to present the Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**") for the financial year ended 31 December 2024 (the "**Reporting Period**" or "**2024**"). The ESG Report summarizes the initiatives, programs and performance of the Group as well as demonstrates its commitment to sustainability.

The Group believes sustainability is a key to achieve continuous success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognizes the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

ESG GOVERNANCE STRUCTURE

The Board of Directors (the "**Board**") assumes full responsibility for the Group's ESG strategies and reporting as well as for overseeing and managing the Group's ESG-related issues. In order to better manage the Group's ESG performance and potential risks, the Board discusses and reviews the Group's ESG issues at least once annually with the assistance of the ESG working group (the "**Working Group**") comprising of staff from relevant departments. With the aim to demonstrate the steadfastness of the Group on sustainable development, the Board had set targets on environmental aspects and implemented the latest ESG-related policies and guidelines for complying with the latest applicable laws and regulations. The Board is also responsible for ensuring the effectiveness of ESG risk management and internal control mechanism and facilitating the exchange of best practices with other comparable companies.

The Working Group is responsible for collecting ESG data which are reviewed and confirmed by respective department heads, assisting in the assessment and identification of the Group's ESG risks and the appropriateness and effectiveness of the Group's internal control system, and compiling ESG reports. The ESG performance of the Group, including environmental, labor practices, quality assurance and other ESG aspects, is monitored by the Working Group through keeping track of the progress with key performance indicators ("**KPIs**") against relevant ESG-related goals and targets set by the Board. Its findings, decisions and recommendations would be reported to the Board through meeting at least once annually. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

REPORTING SCOPE

The Group operates business in manufacturing and sales of inflatable products and related accessories in the People's Republic of China (the "**PRC**"). By assessing the performance of the Group and its resources allocation, the reporting scope has changed comparing with the financial year ended 31 December 2023 ("**2023**"). In 2024, the reporting scope has expanded to include the operation of a dental clinic and provision of dental clinic services, sales of dental related products. In addition, the Group has made a step forward in the yarn and polyester industry upon the acquisition of the entire interest in Hong Kong Taixing Holding Co., Limited, principally engaged in sales of yarn and polyester. Also, ESG data from the administrative office in Hong Kong is excluded from the reporting scope of this ESG Report due to its insignificant impact on the ESG performance of the Group. The Group will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and its work on sustainable development is strengthened.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in the Appendix C2 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report of this annual report.

REPORTING PRINCIPLES

The Group attaches great importance to the materiality, quantitative, consistency and balance during the preparation for this ESG Report, and the Group has applied these reporting principles in the aforementioned ESG Reporting Guide as the following:

Materiality: Materiality assessment was conducted to diagnose material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and senior management. Please refer to the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT" for further details.

Quantitative: The standards and methodologies used in the calculation of relevant data in the ESG Report, as well as the applicable assumptions were disclosed. The KPIs are supplemented by explanatory notes to establish benchmarks where feasible.

Consistency: The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Balance: The ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group maintains close communication with the key stakeholders, including shareholders and investors, clients, employees, suppliers, government as well as communities and the public. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long-term prosperity. The Group's communication channels with the key stakeholders and their respective interests and concerns are summarized as follows:

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Corporate sustainability	• General meetings and other shareholder meetings • Financial reports • Announcements, notices of meetings, circulars • Corporate websites
Clients	• Operational compliance • Customer rights protection • Product and service quality	• Regular meetings and communication • Customer services
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities	• In-house training programs • Performance reviews and appraisals • Complaints channels • Suggestion box
Suppliers	• Long-term partnership	• Field inspections
Government	• Compliance with laws and regulation	• Field inspections
Communities and the public	• Operational compliance • Environmental protection • Charity participation	• ESG reports • Charity activities

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The management responsible for the key functions in the Working Group has participated in preparing the ESG Report and assisted the Group in reviewing its operation, identifying key ESG issues, and assessing the importance of these issues to its business and stakeholders. The Group compiled a questionnaire with reference to the identified material ESG issues to collect opinion from stakeholders in order to evaluate the materiality of the key ESG issues.

A summary of the Group's key ESG issues and their relative materiality is as follows:

The ESG Reporting Guide	Key ESG issues	Materiality to the Group
A. Environmental		
A1. Emissions	Air Emissions	Low
	Greenhouse Gas ("**GHG**") Emissions	Low
	Waste Management	Low
A2. Use of Resources	Energy Management	Low
	Water Consumption	Low
	Use of Packaging Materials	Low
A3. The Environment and Natural Resources	Noise Pollution	Low
A4. Climate Change	Climate Change	Low
B. Social		
B1. Employment	Recruitment, Promotion and Dismissal	High
	Remuneration and Benefits	Medium
B2. Health and Safety	Occupational Health and Safety	Medium
B3. Development and Training	Development and Training of Employees	Medium
B4. Labor Standards	Prevention of Child Labor and Forced Labor	Low
B5. Supply Chain Management	Fair and Open Procurement	Medium
B6. Product Responsibility	Product Quality Supervision	Medium
B7. Anti-corruption	Anti-corruption	Medium
B8. Community Investment	Community Investment	Low

The Group conducted stakeholder engagement and materiality assessment to diagnose material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the ESG Report. Based on the materiality assessment results, the Group was informed of the topics that stakeholders were highly concerned about. The Group is particularly focused on recruitment, promotion and dismissal. In the ESG Report, the Group will further disclose its performance in terms of relevant aspects, and consider the results as important reference points for the planning of ESG management for the next financial year.

CONTACT US

We welcome comments and suggestions from the Group's stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to info@chinaoral.co.

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to good environmental management and strives to protect the environment in order to fulfill its social responsibilities. The Group has formulated the Procedure for Operational Control on Environmental System (《環境體系運行控制程序》), which aims to prevent pollution and minimize possible environmental impacts from activities that have a significant impact on the environment during production and business operations. The procedure is applicable to the control of resources, energy management and pollutants in the Group's production and operation according to relevant requirements. The Group's factories are accredited with ISO 14001:2015 Environmental Management System.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and other environmental protection related laws and regulations. The Group prepared and implemented various emissions and waste reduction measures based thereon. During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations that would have a significant impact on the Group.

Air Emissions

The Group's major sources of air emissions were originated from diesel and petrol consumed by vehicles as well as diesel consumption for electricity generator. During the Reporting Period, with enhanced data collection system in the factory, diesel consumption of forklift was also included, which did not account for a significant portion of the aggregated amount. The Group targeted to maintain or reduce the air emission intensity in 2024 using such performance in 2023 as the baseline. In order to achieve the target, the Group has actively taken the following emissions reduction measures to minimize the impacts:

- Conduct regular vehicle inspection and maintenance to enhance vehicle and boiler efficiency;
- Encourage the use of public transportation for business travels;
- Avoid peak hour traffic;
- Encourage the use of bicycles;
- Encourage car-pooling;
- Reduce the number of business trips by utilizing electronic communication means, such as video conferences;
- Educate employees to turn off engines for idling vehicles; and
- Actively adopt other measures to reduce emissions, which are described in the section headed "GHG Emissions" under this aspect.

Regular inspections have been performed by an external professional assessment company to inspect the level of the pollutants generated. Inspections are conducted according to the Determination of Particulate Matter in Exhaust Gas and Sampling Method of Gaseous Pollutants in a Fixed Source of Pollution (GB/T 16157-1996) and have passed the National Standard Air Pollutant Release Standard (DB44/27-2001) as well as the Emission Standard for Order Pollutants (GB 14554-93). The level of exhaust gases such as benzene, toluene and xylene generated from the process of injecting oil into the inflatable playgrounds was satisfactory during the Reporting Period.

The total air emission of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matters ("**PM**") had increased by approximately 233.65% from 2023 to 2024 due to greater operational need for off-site activities. Comparing to the baseline of approximately 7.99 g/employee in 2023, the Group is working toward the target. Following is the summary of the Group's air emissions performance:

Indicator[2]	Unit	2024	2023
NOx	kg	12.47	3.74
SOx	kg	0.70	0.22
PM	kg	1.01	0.29
Total air emissions	kg	14.18	4.25
Total air emissions intensity[1]	g/employee	23.40	7.99

Notes:

1. As at 31 December 2024, the Group had a total of 608 (as at 31 December 2023: 544) employees, whereas only 606 (as at 31 December 2023: 532) employees are included within the reporting scope. This data has also been used for calculating other intensity data.

2. The calculation method of air emissions is based on How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the air emission intensity in the financial year ended 31 December 2025 ("**2025**"), using such performance during 2024 as its baseline.

GHG Emissions

GHG emissions from the Group were primarily due to the petrol and diesel consumption for transportation, diesel consumption for electricity generator and refrigerant consumption (Scope 1) and purchased electricity (Scope 2). The Group targeted to maintain or reduce the GHG emission intensity in 2024 using such performance in 2023 as the baseline. In order to achieve the target, we adopted the following measures to reduce GHG emissions and enhance employees' awareness during operation:

- Actively adopt vehicle emission reduction measures. Relevant measures are described under "Air Emissions" in this aspect above; and

- Actively adopt environmental protection, energy conservation and water conservation measures which are described in the sections headed "Energy Management" and "Water Consumption" under aspect A2.

During the Reporting Period, the total GHG emissions had decreased by approximately 39.07% from approximately 1,234.73 tonnes of carbon dioxide equivalent ("**tCO_2e**") in 2023 to approximately 752.36 tCO_2e in 2024 mainly attributable to effective implementation of energy conservation measures as described in the section headed "Energy Management". Comparing to the baseline of approximately 2.32 tCO_2e/employee in 2023, the Group has achieved the target. Following is the summary of GHG emissions performance:

Indicator[3]	Unit	2024	2023
Direct GHG emissions (Scope 1)	tCO_2e	143.36	124.69
Energy indirect GHG emissions (Scope 2)	tCO_2e	609.00	1,110.04
Total GHG emissions (Scope 1 and 2)	tCO_2e	752.36	1,234.73
Total GHG emissions intensity	tCO_2e/employee	1.24	2.32

Note:

3. GHG emissions data is presented in terms of carbon dioxide equivalent and based on, including but not limited to, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards issued by the World Resources Institute and the World Business Council for Sustainable Development, How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, Global Warming Potential Values from the IPCC Sixth Assessment Report (AR6) and the "Notice on Releasing the Carbon Dioxide Emission Factor of Electricity in 2022" issued by the Ministry of Ecology and Environment of the PRC.

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the GHG emission intensity in 2025, using such performance during 2024 as its baseline.

Sewage Discharge

The Group discharges two types of waste water, namely domestic sewage and industrial effluent.

Domestic Sewage

Domestic sewage is discharged from the accommodation that the Group provides to employees in the PRC. The Group strictly controls the discharge of sewage to minimize its environmental impacts. Regular inspection has been performed by a professional external assessment company to check against various standards such as the Standard Examination Methods for Drinking Water – Organoleptic and Physical Parameters (GB 5749-2006) and Technical Specifications Requirements for Monitoring of Surface Water and Waste Water (HJ/T 91-2002). According to the report conducted by the assessment company, the test results were satisfactory during the Reporting Period. The Group's sewage emissions comply with the Standard for Drinking Water Quality (GB 5749-2006) and Discharge Limits of Water Pollutants (DB44/26-2001) in the PRC. The amount of domestic sewage discharge is considered the same as the amount of water consumption, which will be described in the section headed "Water Consumption" under aspect A2.

Industrial Effluent

Water used in the production processes of producing the inflatable products eventually becomes industrial effluent, which is hazardous wastewater. Therefore, the Group engages a government-authorized service company to collect the effluent and perform water purification to remove undesirable matters through the process of screening, grit removal and sedimentation. Besides, the Group is continuously looking for possible ways to enhance recycling of effluent in the future.

During the Reporting Period, the volume of industrial effluent had increased as compared to 2023 due to increased industrial operation. The industrial effluent intensity remained at a similar level when comparing 2023 and 2024. Following is the summary of effluent discharge performance:

Indicator	Unit	2024	2023
Industrial effluent	tonnes	24.00	21.00
Total industrial effluent intensity	tonnes/employee	0.04	0.04

Waste Management

The Group recognizes the importance of good waste management practices which not only protects the reputation and quality of the products produced, but also safeguards the health and safety of its employees. Therefore, the Group has established a detailed Procedure for Operational Control on Environmental System (《環境體系運行控制程序》) that regulates the Group's waste management practices of non-hazardous waste and hazardous waste, and clearly states the procedures for the collection, storage and disposal of waste. The Group targeted to maintain or reduce the production level of both hazardous and non-hazardous waste in 2024, using such performance during 2023 as its baseline. In order to achieve the targets, measures have been taken as detailed below.

Hazardous Waste

The Group recognizes the importance of governing the management and disposal of hazardous waste. The Group has established Rules on Waste Classification (《垃圾分類細則》) and Hazardous Waste Collection Record Form (《危險廢棄物收集記錄表》), which clearly states the procedures of categorizing and handling hazardous waste, to guide the employees and monitor the collection and storage of hazardous waste. Specific areas are assigned for the temporary storage of hazardous waste for safety purposes and a licensed third party is engaged in the collection of waste for recycling and reuse purposes.

Due to the dangerous nature of hazardous waste, the Group will set up special containers for hazardous waste storage and arrange qualified professional environmental service suppliers for collection, transportation and disposal. The Group will hire external processing companies that have relevant licenses and business licenses approved by the government.

During the Reporting Period, the total hazardous waste had increased from approximately 0.98 tonnes in 2023 to approximately 1.64 tonnes in 2024 due to enhancement in data collection method in the factory. Comparing to the baseline of approximately 0.0018 tonnes/employee in 2023, the Group has not achieved the target. Following is the summary of hazardous waste disposal performance:

Indicator	Unit	2024	2023
Waste lamp	tonnes	0.02	0.01
Waste of packaging bucket	tonnes	1.15	0.16
Waste of screen printing	tonnes	0.02	0.05
Used cleaning cloth from production	tonnes	0.27	0.55
Used battery	tonnes	0.00	0.01
Used active charcoal	tonnes	0.15	0.15
Used photographic plastic	tonnes	0.03	0.05
Total hazardous waste	tonnes	1.64	0.98
Total hazardous waste intensity	tonnes/employee	0.0027	0.0018

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the production level of hazardous waste in 2025, using such performance during 2024 as its baseline.

Non-hazardous Waste

The Group adheres to the principles of waste management and is committed to handling and disposing all waste generated by our business activities through abiding by the 3R principle (Reduce, Reuse and Recycle).

Besides, the Group had established the Waste Classification (《垃圾分類細則》) to guide the employees on waste management such as waste classification, collection, transportation and disposal.

All of our waste management practices comply with relevant environmental laws and regulations. The non-hazardous waste disposed by the Group's business activities were mainly scrap paper and metal. We have taken the following measures in our business operation towards the waste reduction target:

- Place recycling bins in office areas to cultivate employees' recycling habits;
- Distribute office memos to remind staff to only print necessary materials to avoid wastage;
- Record and monitor the paper consumption;
- Reuse envelops, folders and carton in office;
- Use recycled paper for printing and copying; and
- Promote double-sided printing to utilize paper efficiently.

During the Reporting Period, the total non-hazardous waste had decreased by approximately 1.91% from approximately 5.76 tonnes in 2023 to approximately 5.65 tonnes in 2024 due to effective implementation of waste reduction measures as described above. Comparing to the baseline of approximately 0.011 tonnes/employee in 2023, the Group has achieved the target. Following is the summary of non-hazardous waste disposal performance:

Indicator	Unit	2024	2023
Scrap metal	tonnes	5.27	5.17
Scrap paper	tonnes	0.38	0.59
Total non-hazardous waste	tonnes	5.65	5.76
Total non-hazardous waste intensity	tonnes/employee	0.009	0.011

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the production level of non-hazardous waste in 2025, using such performance during 2024 as its baseline.

A2. Use of Resources

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations and is committed to optimizing the use of resources in all of its business operations.

The Group has established relevant policies and procedures in governing the use of energy and water with reference to the objectives of achieving higher efficiency and reducing the unnecessary use of materials.

Energy Management

The Group has developed related energy measures and initiatives on the efficient use of energy, such measures and initiatives have been formally documented in the Operational Control on Environmental System (《環境體系運行控制程序》). Employees are required to take the related measures and initiatives and assume responsibility for the Group's overall energy efficiency. We developed Energy Usage Statistics Table (《能源使用統計表》) to record energy consumption of each department. If certain departments' electricity consumption exceeds the monthly consumption target, the Group will conduct investigation to find out the root cause and apply reduction controls to increase energy efficiency. We also regularly review our energy consumption objectives and targets to continuously enhance the Group's energy consumption performance.

The Group targeted to maintain or reduce the energy consumption intensity in 2024, using such performance during 2023 as its baseline. The Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption. Such measures and initiatives include but not limited to the following:

- Post green messages in the workplaces;
- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption;
- Turn off all unnecessary lightings and use natural lightings as far as practicable;
- Apply optimal temperature setting of air-conditioning; and
- Conduct or participate in environmental activity annually to promote awareness on energy conservation among employees.

During the Reporting Period, the total energy consumption had decreased by approximately 12.03% from approximately 2,076.99 MWh in 2023 to approximately 1,827.15 MWh in 2024 due to the effective implementation of energy conservation measures as mentioned above. Comparing to the baseline of approximately 3.90 MWh/employee in 2023, the Group has achieved the target. Following is the summary of energy consumption performance:

Indicator[4]	Energy Category	Unit	2024	2023
Direct energy	Petrol	MWh	292.65	121.45
	Diesel	MWh	38.51	9.13
Indirect energy	Electricity	MWh	1,495.99	1,946.42
Total energy consumption		MWh	1,827.15	2,076.99
Total energy consumption intensity		MWh/employee	3.02	3.90

Note:

4. The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the energy consumption intensity in 2025, using such performance during 2024 as its baseline.

Water Consumption

Clean water is valuable since it remains a scarce resource in many parts of the world. Thus, we are committed to treasuring the water resources we have. The Group has implemented a variety of measures and initiatives which have been formally documented in the Operational Control on Environmental System (《環境體系運行控制程序》). We also regularly review our water consumption objectives and targets to continuously enhance the Group's water consumption performance.

The Group uses government-supplied water sources, mainly for production and employees' daily living purpose. The Group targeted to maintain or reduce the water consumption intensity in 2024, using such performance during 2023 as its baseline. In order to achieve the target, we encourage all employees to develop the habit of water conservation. The following are some measures we have implemented to increase water efficiency:

- Post water saving reminders and guide employees to consume water reasonably;
- Fix dripping taps promptly to avoid further leakage and wastage; and
- Conduct or participate in environmental activity annually to promote awareness on water conservation among employees.

In view of the geographical location of the Group's operations and nature of business, there is no problem in sourcing water that is fit for purpose.

During the Reporting Period, the total water consumption had increased by approximately 2.06% from approximately 64,083.09 m^3 in 2023 to approximately 65,405.43 m^3 in 2024 due to increased in total employee number. Nonetheless, when comparing the baseline of approximately 120.46 m^3/employee in 2023, the Group has achieved the target due to the effective implementation of the above-mentioned water conservation measures. Following is the summary of water consumption performance:

Indicator	Unit	2024	2023
Total water consumption	m^3	65,405.43	64,083.09
Total water consumption intensity	m^3/employee	107.93	120.46

In view of the changes in business scope, the Board decides to adjust the baseline of the target for future comparison. The Group targets to maintain or reduce the water consumption intensity in 2025, using such performance during 2024 as its baseline.

Use of Packaging Materials

Apart from energy and water resources, the main resources used by the Group are packaging materials. We consumed various types of packaging materials, such as plastics, paper cartons and wave balls in our daily operations. We conduct annual review based on the packaging material consumption rate. We also maximize the usage of packaging material. For example, we pack more products in larger boxes in order to avoid excessive packaging.

During the Reporting Period, the consumption of packaging materials has decreased by approximately 59.67% from approximately 11,871.00 kg in 2023 to approximately 4,788.00 kg in 2024 after streamlining the packaging method.

A3. The Environment and Natural Resources

The Group pursues the best practices for environmental protection and focuses on the Group's business impacts on the environment and natural resources. In addition to complying with relevant environmental laws and international standards for protecting the natural environment, the Group has implemented the Environmental System Operational Control Program (《環境體系運行控制程序》), to integrate concepts of environmental protection and natural resource conservation into our internal management and daily operations in order to achieve environmental sustainability.

In the upcoming years, the Group plans to further enhance employees' awareness on environmental protection and improve the resource efficiency. The Group will also work closely with suppliers to reduce the negative environmental impact of the supply chain.

Plasticizers

The Group is committed to reducing the adverse impacts on the environment through using widely recognized environmentally friendly plasticizers. Plasticizers are the main raw materials used to soften PVC making it elastic, flexible and bendable. Many studies have been conducted to evaluate the impact of plasticizer on humans and on the environment. The Member States Committee of European Chemicals Agency stated that some elements of plasticizers are the endocrine disruptor that cause adverse endocrine effects in fish and other aquatic organisms. Therefore, the Group uses polyethylene terephthalate ("**PET**"), an eco-friendly plasticizer that is easy to reprocess and decompose into its basic monomers. PET can be recycled into different useful materials, such as polyester used in carpeting, car parts, fiberfill for coats, sleeping bags, shoes, luggage, t-shirts and other items. Moreover, according to the study conducted by scientists at the University of Pittsburgh on examining the environmental impacts of biopolymer production, PET ranks relatively lower compared to other plasticizers in terms of factors such as biodegradability, recycled percentage, mass from renewable sources, life cycle health hazards and life cycle energy use.

Working Environment

The Group is committed to providing employees with a comfortable working environment to enhance work efficiency. We maintain office discipline and environmental hygiene by keeping individual workspaces and public area clean and tidy. Our staff will monitor the condition of the staff quarters and workspaces from time to time. Emergency plans are set up in advance whereas prevention and control measures are adopted to identify problems and risks. We will deal with the identified problems and potential risks in time to maintain a sound working environment.

The Group has implemented the "Environmental and Safety Monitoring Management Procedures" (《環境及安全監測管理程序》) which specifies the frequency and methods of monitoring on specified key features for track record and assessment of the Group's operation related to the environment and safety.

Noise Pollution

The Group has always been aware of its impact of noise pollution on the surrounding communities and the health of workers. The Group actively communicates with nearby communities and its workers on noise issues and provides its workers with health and safety equipment for protection. In order to evaluate the Group's level of noise pollution, a third-party inspection is carried out every year. The inspection report verified that the Group has complied with Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) in the PRC. The noise level of the Group at daytime and mid-night was maintained at a reasonable level during the Reporting Period.

A4. Climate Change

Extreme weather events are becoming more frequent and severe, therefore tackling climate change has become a global consensus. The Group has realized that climate change will affect its business operations. Therefore, the Group has established a robust set of policies and procedures to identify, monitor and manage ESG issues, including climate change. Material climate-related risks are identified and managed under our enterprise risk management framework. The Group does not only adopt the industry's best practices to improve the energy efficiency of its operations, but also encourages its employees, suppliers and customers to minimize carbon emissions in their daily business activities. It incorporates climate change considerations into the internal control, enterprise risk management as well as procurement process. The Group promotes the adoption of eco-friendly and energy-efficient products and materials, providing annual reports to track its advancements in reducing carbon emissions.

In the future, the Group will continue to review its policies and assess the effectiveness of actions in order to enhance its resilience to climate-related risks.

Climate-related Risks

Following are the climate change risks that will impact the Group's business operations, which could be classified as physical risks and transition risks. Physical risks refer to the risks of increased frequency of extreme weather events that could impact the Group's business operations, whereas transition risks refer to the risks of transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risks to organizations. Further explanation will be discussed below.

Physical Risks

Increased frequency and severity of extreme weather events, such as extreme cold or heat, storms, heavy rains, typhoons, can disrupt operations by damaging the power grid and communication infrastructures, hampering and injuring our employees on the way or during their work. These events could disrupt supply chains, interrupt business operations and damage the Group's assets. The Group has taken different actions to manage the above-mentioned acute physical risks. For example, the Group maintains a comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions. A business continuity plan is in place as a countermeasure for managing extreme weather events. In addition, the Group has developed the practice of communicating the arrangements under extreme weather conditions to employees in advance. Principally, the Group aims to ensure smooth business operations even during such conditions to mitigate the risks. The potential financial impacts posed to the Group are expected to be minimized with adequate preparations.

Transition Risks

There are more stringent climate legislations and regulations to support global vision for decarbonization. For example, the Stock Exchange has required listed companies to enhance the climate-related disclosures in their ESG reports. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. The Group's reputation may also be damaged due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change, and will alert the top management where necessary to avoid cost increments, non-compliance fines or reputational risks due to delayed response. Besides, we have set targets to further reduce our energy consumption and GHG emissions during the Reporting Period to show our emphasis and effort in transition towards a low-carbon economy.

B. SOCIAL

B1. Employment

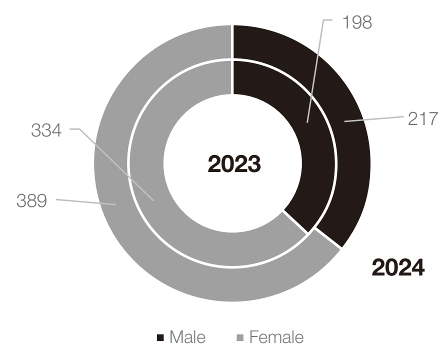
Human resources are the foundation of supporting the development of the Group. The Group's success relies heavily on the ability to attract, develop and retain employees. The Group adheres to the people-oriented principle, respects and protects the legitimate rights and interests of each employee. It regulates labor employment management, safeguards employees' occupational health and safety, strengthens democratic management, safeguards the interests of employees, and fully respects and values employees' enthusiasm, initiative and creativity so to build a harmonious labor relationship.

The Group has formally documented relevant employment policies in the Employee Handbook (《員工手冊》), covering recruitment, promotion and dismissal, remuneration and benefits, diversity and equal opportunities, etc. We review these policies and our employment process periodically to ensure the continuous improvement of our employment standards.

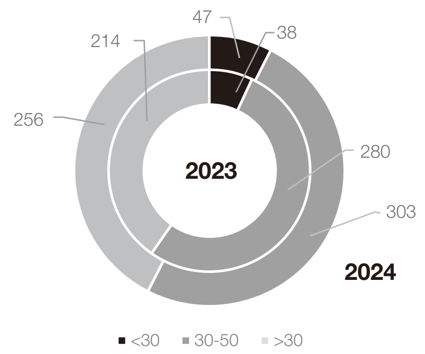
The Group complies with all related laws and regulations, including, but not limited to, the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. The Group has established a series of human resource management policies to provide employees with a healthy, happy and motivated working atmosphere, and to guide employees to actively integrate their personal pursuit into the long-term development of the Group. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group.

As at 31 December 2024, the Group had 606 employees within the reporting scope (as at 31 December 2023: 532 employees). The following shows the breakdown of employees by gender, age group, employment type and geographical region.

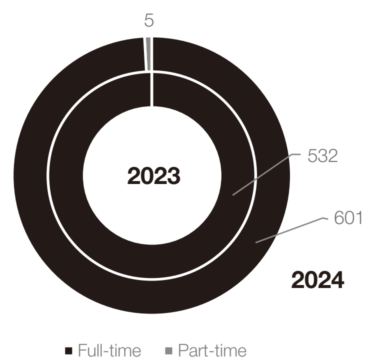
Employee by Gender



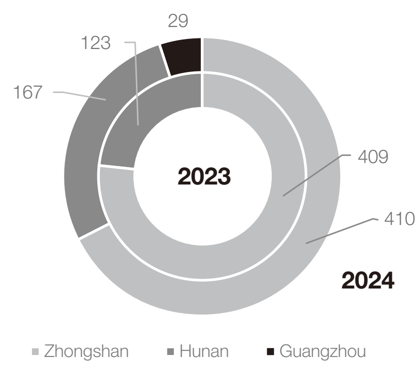
Employee by Age Group



Employee by Employment Type



Employee by Geographical Location



The employee turnover rate was approximately 26.24%[5] during the Reporting Period (2023: approximately 29.70%). The following table shows the breakdown of employee turnover:

	Number of Employee Turnover		Breakdown of Employee Turnover[6]	
	2024	2023	2024	2023
By Gender				
Male	46	52	29%	33%
Female	113	106	71%	67%
By Age Group				
Age below 30	24	10	15%	6%
Age 30–50	73	93	46%	59%
Age over 50	62	55	39%	35%
By Geographical Location				
Zhongshan	46	72	29%	46%
Heyuan	N/A	15	N/A	9%
Hunan	107	71	67%	45%
Guangzhou	6	N/A	4%	N/A

Notes:

5. Calculation of employee turnover rate:

$$\frac{\text{Number of employees who left during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

6. Calculation of breakdown of employee turnover:

$$\frac{\text{Number of employees who left in the specific category during the reporting period}}{\text{Total number of employees who left in the specific category at the end of the reporting period}} \times 100\%$$

Recruitment, Promotion and Dismissal

The Group seeks to build an elite workforce by recruiting outstanding employees. The Group has established the Recruitment Management Procedure (《僱用管理程序》) to standardize the hiring procedures and recruitment principles, and adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of fairness, openness and justice, so as to continuously attract, employ and develop talents.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their capability, assist them on career development and contribute to the Group's sustainable growth. Staff performance reviews are carried out regularly to assess employees' work performance based on the principle of meritocracy, talents and competitiveness on an open and fair basis.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis, and exit interviews are required to be conducted with the resigned staff to collect opinions for any possible improvements on the Group's policies.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system under the Remuneration Management System (《薪酬管理制度》) and Remuneration Management Procedure (《薪資福利管理程序》) that provides compensation to employees based on the principles of fairness, competition, incentives, rationality and legality. As stated in the policies, the remuneration package of the Group's employees consists of basic salary, performance bonus, overtime pay, working-age salary, food subsidy, related subsidies and various bonuses.

The Group signed and executed labor contracts with all employees in the PRC in accordance with the Labor Contract Law of the People's Republic of China. The Group pays five social insurances and one housing fund for its employees in the PRC in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure employees are covered by social insurance.

In addition, the Group respects the rights of employees on rest and leave, establishing regulations for working hours and granting various types of rest periods and holidays. The Group offers a wide variety of leave entitlements for different circumstances such as maternity leave, paternity leave, marriage leave, study leave, compassionate leave and compensation leave.

Diversity, Equal Opportunity and Anti-discrimination

Sustainable growth of the Group relies on the diversity of talents and the provision of equal opportunities. Under the Anti-discrimination Procedure (《反歧視程序》), the Group endeavors to recruit and promote employees based on experience and expertise and make decisions independent of race, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or sexual orientation. It is of the Group's firm belief that all employees should have the right to work in an environment free of discrimination, harassment, victimization and vilification. Therefore, the Group is committed to creating and maintaining an inclusive and collaborative workplace culture. In addition, the Group emphatically states its zero-tolerance stance on any above-mentioned behaviors in the workplace. In case of any violation, employees have access to various communication channels, including an employee suggestion box, to report and express their opinion. The procedure of dealing with complaints are set out in the Employee Complaints and Suggestions Management System (《員工投訴及建議管理制度》).

B2. Health and Safety

Occupational Health and Safety

We are committed to providing and maintaining a safe and healthy environment for all our employees, contractors, customers and others who visit or work on our premises and preventing work-related accidents, injuries and illnesses. The Group believes that employees are valuable assets of an enterprise and regards human resources as its corporate wealth. The Group has established Operational Control Procedure on Occupational Health and Safety Policy (《職業健康安全體系運行控制程序》) which includes the prevention and remediation of safety accidents, detection on potential safety hazards in the workplace, and maintenance of a safe working environment. We review this policy and our health and safety practices at least annually and, if necessary, revise them to ensure continuous improvements of our health and safety standards.

The Group enforces relevant laws and regulations such as the Labor Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Protection Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance, that would have a significant impact on the Group. The Group does not operate any vehicle manufacturing, warehousing, displaying and maintenance and repair facilities. Therefore, the Group is not subject to significant health, work safety, social or environmental risks. Nonetheless, an Incident Investigation Control Procedure (《事故調查控制程序》) has been formulated to set out procedures on dealing with occupational incidents aiming to prevent recurrence. There were no work-related fatalities in each of the past three years including the Reporting Period, hence no claims or compensation were paid to its employees due to such accident.

Most of the equipment used in our factories are light-duty machinery. Thus, most of the employees' work-related injuries are minor injuries. During the Reporting Period, the Group recorded 4 reported accidents due to work-related injury.

Indicator	Unit	2024	2023
Number of work-related injury	case	4	7
	person	8	7
Injury rate	per thousand employees	13.20	13.16
Number of lost days	day	41.60	40.10

Steps taken as remediation included provision of additional safety training for the injured employees followed by inspection of the site to identify any other potential safety hazards and to take precautionary measures if necessary.

Internal Health and Safety Management System

To pursue an injury-free working environment, the Group requires all employees to attend safety training before the commencement of work. We also emphasize to our employees the vital importance of strictly complying with safety requirements to protect themselves from accidents and injuries. Safety guidelines such as Safety Management System on Electricity Utilization (《安全用電管理制度》) and Production Equipment Management Regulation (《生產設備管理規定》) have been formulated to address any safety issues. When safety issues are spotted, employees are required to report in a timely manner. The Group has also formulated a series of emergency plans in case of any accidents and organized fire drills on a regular basis to further reinforce employees' safety awareness.

On the other hand, the Group had implemented Employee Occupational Health and Occupational Disease Management (《員工職業健康及職業病管理》), which provides staff with health and safety notifications to enhance their awareness. The Group also arranges body checks for employees, particularly paying attention to those who have abnormal examination result and providing treatment advice. Additionally, the Group will monitor staff's health with the regular release of List of Job with Occupational Disease Risk (《具有職業病風險的崗位清單》).

With the effective implementation of the above measures, the Group's factory has been accredited with ISO 45001:2018 Occupational Health and Safety Management System.

Fire Safety

The Group has formulated its fire safety system in accordance with the Fire Protection Law of the People's Republic of China and Provisions on the Supervision and Administration of Fire Protection of Construction Projects. In case of emergencies, different locations of the Group's workplaces are equipped and clearly located with first aid kits and fire extinguishers of which staff are instructed to the correct use. Fire drills are conducted regularly to enhance awareness on the fire evacuation plans.

Other Health and Safety Measures

The Group adhered to placing the health and safety of employees as its top priority. The Group strictly maintained a high hygiene standard and complied with the virus prevention regulations issued by the local governments and has disseminated information on the pandemic situation and preventive measures to its employees. The precautionary measures taken by the Group included:

- Perform temperature checks and registrations before entering offices and the factories;
- Require all vehicles and personnel to be disinfected when entering the factories;
- Provide adequate disinfection supplies, such as hand sanitizer, in its operations;
- Encourage employees to wash their hands frequently with soap and water, or with a hand sanitizer;
- Keep social distancing of at least 1 meter from one another when lining up for canteen meals and minimize meal gatherings;
- Cancel large-scale events such as spring dinner; and
- Advocate employees to reduce non-essential cross-city travels.

B3. Development and Training

The Group recognizes the valuable contribution its talents have made to the continued success of the Group. The Group believes that its ability to recruit and retain experienced and skilled labor is key to growth and development.

Development and Training of Employees

The Group has developed relevant training procedures to standardize the management of employees' training. Various training programs are held to improve the knowledge and skills of employees. The Group has developed an Annual Training Plan (《年度培訓計劃》) based on the training requirements from various departments to enhance the employees' skills and knowledge.

The Group has conducted quality and environment management training programs to enhance the knowledge of employees on the standards of ISO9001 and ISO14001. The programs include job skills training, safety precautions in using production equipment and machinery, fire safety and first aid, as well as various systems relating to factory regulations, social responsibility and anti-terrorism. These help employees to become more professional in quality and environmental management. Training content is regularly updated to ensure contents are relevant to stakeholders' changing needs, such as change in law and regulatory requirements, market, product trends and customer behavior.

To help new employees adapt to the workplace, the Group provides induction training for new employees. Besides, the Group launches mentoring program, for which experienced employees act as mentors to guide newcomers. This program can effectively facilitate communication, build team spirit and strengthen their sense of belonging.

In addition to internal training, the Group encourages and supports employees to participate in external personal and professional training to fulfill the needs of the Group's development. To encourage employees in taking the initiative in learning and pursue further career development, the Group offers reimbursements to its employees who have received relevant training and completed development programs that pertain to their respective work positions and skills.

The percentage of employees trained was approximately 88.61% during the Reporting Period (2023: approximately 92.86%). The following table shows the breakdown of the employee trained:

	Percentage of Employees Trained[7]		**Total Training Hours**		**Average Training Hours[8]**	
Employee Trained	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
By Gender						
Male	85.71%	86.36%	1,841.00	1,682.00	9.90	8.49
Female	90.23%	96.71%	3,287.00	3,002.50	9.36	8.99
By Employment Category						
Senior management	78.57%	86.67%	85.00	104.00	7.73	6.93
Management	87.76%	93.68%	1,261.00	1,253.00	14.66	13.19
General staff	89.07%	92.89%	3,782.00	3,327.50	8.60	7.89
Total	88.61%	92.86%	5,128.00	4,684.50	9.55	8.81

Notes:

7. Calculation of percentage of employees trained:

$$\frac{\text{Number of employees trained in the specific category during the reporting period}}{\text{Number of employees in the specific category at the end of the reporting period}} \times 100\%$$

8. Calculation of average training hours:

$$\frac{\text{Number of training hours in the specific category during the reporting period}}{\text{Number of employees trained in the specific category during the reporting period}} \times 100\%$$

B4. Labor Standards

The Group adopts a people-oriented management approach. Thus, it prohibits any punitive measures, management methods, and behaviors such as abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) for any reason.

Prevention of Child Labor or Forced Labor

Child and forced labor are strictly prohibited during the recruitment process as defined by laws and regulations. In view of this, the Group had implemented the Prohibition of Child Labor Control Program (《禁用童工控制程序》) and the Prohibition of Forced Labor Program (《禁止強迫勞工控制程序》) to prevent relevant departments from employing child and forced labor.

The Group has established a comprehensive recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. Personal data are collected during the employment process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department diligently verifies identity documents and periodically conducts checks to ensure their actual age aligns with personnel information provided.

To prevent any form of forced labor, a job description outlining the principal responsibilities of employee is attached in the labor contract. Furthermore, employees' overtime working is based on voluntary principle so as to avoid the violation of labor standards. To safeguard the rights and interests of employees, they are entitled to overtime salary or compensatory leave after working overtime.

In the event of a violation, the Group will formulate a summary record internally, put forward rectification advice, and direct the Human Resources Department, which is responsible for such matters, to strengthen the employee inspection procedure and avoid the recurrence of similar incidents.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labor-related laws and regulations, that would have a significant impact on the Group including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China that would have a significant impact on the Group.

B5. Supply Chain Management

As a socially responsible enterprise, it is critical to maintain and manage a reliable supply chain that is consistent with the Group's policies on sustainability. The Group is committed to building and maintaining close business relationships with its business partners. The Group has also established measures and procedures to reduce risks associated with the economy, environment, and society.

Fair and Open Procurement

The business cooperation process of the Group is conducted in an open, fair and impartial manner. The Group will not discriminate against any business partners and will not allow any corruption or bribery. Employees and other individuals who are interested in the relevant business partners will not be allowed to participate in related business activities. The Group focuses on the integrity of its partners and will only select business partners who have a good track record in the past and who do not have any serious non-compliance or violation of business ethics.

Procurement Practices

The Group has established a rigorous and standardized procurement system. The Group has formulated the Procurement Flow Chart (《採購流程》) and Supplier Selection Form (《供應商評審表》) to evaluate and select suppliers. During the supplier selection process, the Group not only reviews suppliers' basic information, but also considers a number of other factors such as the delivery schedule, pricing, possession of requisite licenses, certifications, and compliance to relevant industrial laws, regulations and standards.

In addition, all suppliers are evaluated carefully and subjected to regular monitoring and assessments. The Group reviews and evaluates supplier performance in accordance with its Supplier Monthly Assessment Form (《供應商月度綜合考核表》). The Group classifies them into different grades (A/B/C/D) based on monthly assessment results. The Group applied Purchase Order Material Tracking Form (《採購物料追蹤表》) to track the quality of material purchased. In order to ensure suppliers' capability in quality assurance, safety and environmental responsibility, field visit and investigation will be conducted. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications.

In view of the growing societal concerns towards environmental issues, the Group is aware of the importance of managing the environmental and social risks of its supply chain. The Group embedded environmental and social consideration in the procurement process and supplier communication. The Group has implemented the Supplier Selection and Evaluation Policy (《供應商的啟用和選擇》), which prioritizes suppliers that promote environmentally preferable products and services. The Group also informs suppliers of its environmental policy and requirements and its initiatives in green procurement. The Group especially requires suppliers of chemical substances to provide material safety data sheets ("**MSDS**") and other relevant test reports. To manage potential environmental and social risks in its supply chain, the Group has established a stringent and standardized procurement system and supplier selection process, and has implemented relevant practices relating to engaging suppliers and the requirement of environmental and social risk control to all suppliers.

During the Reporting Period, the Group had 50 major suppliers (2023: 61), all of which were located in the PRC. The Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on business ethics, environmental protection, human rights and labor practices. All major suppliers are subject to the above evaluation and monitoring regularly.

B6. Product Responsibility

The Group actively safeguards the quality of its products with its internal control process and maintains ongoing communication with its customers to ensure mutual understanding while fulfilling customers' needs and expectations. We aim to apprehend customers' needs and expectations and strive to continuously improve the quality of our products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including, but not limited to, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Advertising Law of the People's Republic of China that would have a significant impact on the Group.

Product Quality Supervision

The Group recognizes the importance of achieving and maintaining high product quality standard to the sustainable growth of the Group. Our factory in Zhongshan has obtained the certificate of ISO 9001:2015 Quality Management System on the design and manufacture of inflatable products.

To maintain high product quality, we attach great emphasis on quality management. The Group has established a quality control team, Quality Control Handbook (《品質控制手冊》) and Unqualified Products Control Procedure (《不合格品控制程序》) to ensure the quality of the raw materials and products at each stage of production processes, as well as that of our end-products. Our raw materials and products comply with international product safety and quality standards, such as the standards of the American toy safety standard ASTM F963-11, European Commission standard EN71-1, EN71-2 and EN71-8, Australia and New Zealand toy standard AS/NZA ISO8124-1:2013 and ICTI Ethical Toy Program.

The quality control team is responsible for conducting product risk assessments for new products. A product quality and safety test report summarizing all findings will be submitted to the Engineering Department. The team will also conduct random sample testing during the trial production process. The Engineering Department is required to give solutions on the concerns raised by the quality control team. The products will not enter the market until the quality control team confirms that all the testing results are satisfactory and no quality and safety issues are being found. During the Reporting Period, there are no products sold and shipped subject to recalls for safety and health reasons.

Innovation Intellectual Property Rights

The Group views the effort in conducting research and development as indispensable to maintain a high product quality standard. The Group strives to advance its product range by leveraging its research and development expertise, aiming to introduce products with special features. To bolster its research and development capabilities, the Group has developed a Design Department comprising professional technicians and engineers.

To ensure that the products invented and designed by the Group are not being plagiarized, the Group has formulated Measures for the Protection of Intellectual Property Rights (《維護和保障智慧財產權措施》). The Group protects its intellectual property rights worldwide through administrative and legal means, cooperation with customs and litigation. If the Group notices competitive products or marketing materials that potentially infringe its intellectual property rights, the Group will further investigate and follow up as required. As at 31 December 2024, the Group's valid intellectual property rights are as follows:

Chinese design patent	99
Chinese utility patent	6
Chinese invention patent	2
Software copyright	1
Work registration certificate	174
Trademark	32
Foreign utility model invention patents	4

Customer Services

The Group provides delighting and high-quality service experience to customers through standardized service quality management. As we value our customers' opinions, we regularly conduct customer satisfaction surveys and have an online opinion form on the Group's website to collect public opinions.

Any complaints from customers, suppliers, and partners will be reviewed in accordance with internal procedures and guidelines followed by appropriate follow-up measures. If applicable, the Group will conduct relevant investigations to resolve complaints and make improvements accordingly. The Group believes that complaints are good opportunities to receive feedback from the community and customers, so as to continuously enhance our service and products.

During the Reporting Period, the Group did not receive any material complaints from customers.

Protection of Privacy

The Group is committed to protecting customers' confidential information, privacy and interests of the Group and its stakeholder. We have formulated Information Security Regulations (《信息安全規定》) and Data Protection Policy (《資料保護政策》) to ensure privacy and data security. Employees should strictly abide by these regulations, including, but not limited to, updating the operating system and anti-virus software on a prompt and regular basis, using encryption technology to protect sensitive data files, and avoiding downloading software or programs from unknown sources. They are also prohibited from disclosing information regarding the Group's business decisions or any information that would be unfavorable to the Group's benefit and reputation. Our information technology engineers will also check the information system regularly to minimize potential risks of data leakage.

Advertising and Labelling

The Group owns different brands such as Happyhop Brand, Happyhop Pro Brand and Action Air. We promote our products mainly through advertisements, social networking pages and industry exhibitions. We emphasize the importance of proper advertising and compliance with relevant requirements of media advertisements. We verify all information regarding our products and business before the publication of promotion materials or product sales to prevent any false, misleading or deceptive information being publicized.

B7. Anti-corruption

The Group considers ethical conduct is of utmost importance in corporate sustainable development and long-term success. Therefore, the Group values the importance of anti-corruption work and is committed to building a fair, open, honest and transparent corporate culture. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to bribery, extortion, fraud, and money laundering, including but not limited to, Company Law of the People's Republic of China, Bidding Law of the People's Republic of China and Anti-Unfair Competition Law of the People's Republic of China that would have a significant impact on the Group. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting Period.

The Group has adopted a zero-tolerance approach towards all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement, money laundering and collusion. The Group has established anti-bribery and anti-corruption control procedures, anti-fraud mechanism and anti-conflict of interest regulation to guide the employees, ensuring that the Group strictly adheres to a high standard of business conduct.

The Group has formulated an Employee Complaints and Suggestions Management System (《員工投訴及建議管理制度》). Under the policy, employees are encouraged to report to the management if any illegal activities such as corruption are suspected or discovered. All complaints filed are confidential and the Group is responsible for protecting the legitimate rights and interests of the whistle-blower. As specified in the Employee Handbook (《員工手冊》), the Group may terminate the employment contract with any employee who is involved in the misconduct or malpractice and reserves the right to take further legal action against such individual.

In order to uphold business ethics and raise awareness, our Directors, employees and suppliers are given anti-corruption trainings at least once annually. During the Reporting Period, the Group has delivered its anti-corruption policies and procedures to 12 Directors, 552 employees and 50 suppliers, while each of 538 employees received 1 hour of anti-corruption training. The training is in form of internal seminar that familiarize the Directors and different levels of staff with their corresponding role and responsibility regarding anti-corruption and business ethics under applicable laws and regulations.

B8. Community Investment

The Group is committed to emboldening and supporting the public by means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizens in the daily work life throughout the Group. The Group aims to promote the stability of the society and support the underprivileged in rehabilitation to improve the quality of life. To cater the specific needs of the local community, the Group has formulated the Community Investment Policy to understand the needs of the community, identify the focus areas and allocate appropriate resources to empower the community. The Group is an active member of the Red Cross Society of China ("**RCSC**"), a humanitarian social relief organization, and support RCSC through donation. During the Reporting Period, the Group donated RMB50,000 to the Zhongshan Branch of RCSC in support of their charity walk activity.

The Group hopes to foster employees' sense of social responsibility by encouraging them to participate in charitable activities to make greater contributions to the community. The Group believes that by participating in activities that contribute to the community, the Group can enhance the civic awareness of its employees and establish correct values within them.

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Statement
Governance Structure	ESG Governance Structure, Stakeholder Engagement, Materiality Assessment
Reporting Principles	Reporting Framework
Reporting Boundary	Reporting Scope

"Comply or Explain" Provisions	Description	Section/Statement
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and Sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions, Sewage Discharge, Waste Management

"Comply or Explain" Provisions	Description	Section/Statement
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Air Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of Resources
KPI A2.1	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management

"Comply or Explain" Provisions	Description	Section/Statement
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Plasticizers, Working Environment, Noise Pollution
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Climate-related Risks

"Comply or Explain" Provisions	Description	Section/Statement
B1. Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety – Internal Health and Safety Management System, Fire Safety, Other Health and Safety Measures

"Comply or Explain" Provisions	Description	Section/Statement
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Development and Training of Employees
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Development and Training of Employees
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labor Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management – Procurement Practices
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management – Procurement Practices
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management – Procurement Practices, Fair and Open Procurement

"Comply or Explain" Provisions	Description	Section/Statement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Procurement Practices
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Procurement Practices
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality Supervision
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Innovation Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Supervision
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Protection of Privacy

“Comply or Explain” Provisions	Description	Section/Statement
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITORS' REPORT

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TO THE SHAREHOLDERS OF
CHINA ORAL INDUSTRY GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Oral Industry Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 76 to 155, 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 ("**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 Auditors' 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 matter	How our audit addressed the key audit matter
Impairment assessment of goodwill Refer to note 17 to the consolidated financial statements. As at 31 December 2024, the Group has goodwill of approximately RMB8,062,000 net of impairment. The Group tests at least annually whether goodwill has suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("**CGUs**"). The recoverable amount of the CGUs were determined based on value in use calculations using cash flow projections. During the year, the Group recognised an impairment loss of goodwill of approximately RMB7,200,000 relating to the dental clinic business CGU as included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024. We focus on the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill is considered significant due to significant management judgement to appropriately identify CGUs and to determine the key assumptions, including discount rate, revenue, and direct costs underlying the value in use calculation.	Our procedures in relation to impairment assessment of goodwill mainly included: • Assessing management's identification of CGUs based on the Group's accounting policies and understanding of the Group's business; • Assessing value in use calculations methodology adopted by management; • Assessing the reasonableness of key assumptions based on our knowledge of the business and industry and using valuation expert; and • Checking the mathematical accuracy of value in use calculations in the management impairment assessment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other information**").

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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs as 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.

AUDITORS' 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 auditors' report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 auditors' 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 auditors' 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.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	**230,959**	166,917
Cost of sales		**(193,708)**	(139,882)
Gross profit		**37,251**	27,035
Other income and gains	7	**2,586**	5,468
Distribution and selling expenses		**(26,296)**	(20,174)
Administrative and other operating expenses		**(20,393)**	(19,593)
(Impairment loss)/reversal of impairment loss on trade and other receivables under expected credit loss model, net		**(1,634)**	94
Impairment loss of goodwill	17	**(7,200)**	–
Impairment loss on other non-financial assets	15	**–**	(10,223)
Finance costs	8	**(753)**	(1,015)
Loss before tax		**(16,439)**	(18,408)
Income tax expense	9	**–**	(218)
Loss for the year	10	**(16,439)**	(18,626)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**381**	1,319
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**145**	(1,176)
Other comprehensive income for the year		**526**	143
Total comprehensive expense for the year		**(15,913)**	(18,483)
		RMB cents	RMB cents
Loss per share			
– Basic and diluted	14	**(1.5)**	(1.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,787**	2,169
Right-of-use assets	16	**2,085**	2,690
Goodwill	17	**8,062**	14,379
Other intangible assets	18	**–**	–
		11,934	19,238
Current assets			
Inventories	19	**59,262**	61,039
Trade receivables	20	**33,775**	17,707
Prepayments, deposits and other receivables	21	**16,849**	9,468
Tax recoverable		**127**	–
Bank deposits with maturity period over three months	22	**10,000**	20,000
Cash and bank balances	22	**57,045**	56,323
		177,058	164,537
Assets classified as held for sale	23	**13,467**	–
		190,525	164,537
Total assets		**202,459**	183,775
Current liabilities			
Trade and other payables	24	**48,415**	49,608
Amount due to a shareholder	25	**11,794**	8,954
Lease liabilities	26	**2,616**	5,263
Contract liabilities	27	**8,073**	3,625
Bank borrowings	28	**676**	–
Current tax liabilities		**–**	16
		71,574	67,466
Liabilities classified as held for sale	23	**20,189**	–
		91,763	67,466
Net current assets		**98,762**	97,071
Total assets less current liabilities		**110,696**	116,309
Non-current liabilities			
Lease liabilities	26	**1,387**	9,310
Deferred tax liabilities	29	**2,171**	2,334
		3,558	11,644
Net assets		**107,138**	104,665
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	30	**10,059**	8,427
Reserves	31	**97,079**	96,238
Total equity		**107,138**	104,665

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025 and signed on its behalf by:

Ms. Yan Ping	**Mr. Xiao Jiansheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital RMB'000	Share premium RMB'000 *(Note 31)*	Special reserve RMB'000 *(Note 31)*	Statutory reserve RMB'000 *(Note 31)*	Foreign currency translation reserve RMB'000 *(Note 31)*	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2023	8,427	62,355	17,429	9,567	1,830	23,540	123,148
Loss for the year	–	–	–	–	–	(18,626)	(18,626)
Other comprehensive income for the year	–	–	–	–	143	–	143
Total comprehensive income/(expense) for the year	–	–	–	–	143	(18,626)	(18,483)
Balance at 31 December 2023	8,427	62,355	17,429	9,567	1,973	4,914	104,665
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(16,439)**	**(16,439)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**526**	**–**	**526**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**526**	**(16,439)**	**(15,913)**
Issue of shares (Note 37)	**1,632**	**16,807**	**–**	**–**	**–**	**–**	**18,439**
Transaction costs attributable to issue of shares	**–**	**(53)**	**–**	**–**	**–**	**–**	**(53)**
Balance at 31 December 2024	**10,059**	**79,109**	**17,429**	**9,567**	**2,499**	**(11,525)**	**107,138**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Loss before tax		**(16,439)**	(18,408)
Adjustments for:			
Depreciation of property, plant and equipment	15	**452**	1,601
Depreciation of right-of-use assets	16	**1,091**	3,172
Amortisation of intangible assets	18	**–**	68
Interest income		**(700)**	(753)
(Reversal of write-down)/write-down of inventories		**(1,039)**	1,581
Finance costs	8	**753**	1,015
Gain on fair value changes of financial assets at fair value through profit or loss		**–**	(137)
Impairment loss/(reversal of impairment) on trade and other receivables under expected credit loss model, net	35(b)	**1,634**	(94)
Impairment loss of goodwill	17	**7,200**	–
Impairment loss on other non-financial assets	15	**–**	10,223
Loss/(gain) on lease modification		**38**	(280)
(Gain)/loss on disposal of property, plant and equipment		**(220)**	376
		(7,230)	(1,636)
Movements in working capital			
Decrease/(increase) in inventories		**20,019**	(17,595)
(Increase)/decrease in trade receivables		**(15,318)**	4,948
(Increase)/decrease in prepayments, deposits and other receivables		**(3,970)**	39,376
(Decrease)/increase in trade and other payables		**(6,203)**	1,366
Increase in amount due to a shareholder		**2,840**	4,826
Increase/(decrease) in contract liabilities		**4,448**	(96)
Cash (used in)/generated from operations		**(5,414)**	31,189
Income taxes refunded		**–**	1,630
Income taxes paid		**(303)**	(1,500)
Net cash (used in)/from operating activities		**(5,717)**	31,319
Cash flows from investing activities			
Interest received		**700**	753
Payments for property, plant and equipment		**(56)**	(1,842)
Proceeds from disposal of property, plant and equipment		**220**	–
Proceeds from disposal of assets classified as held for sale		**–**	3,540
Decrease in financial assets at fair value through profit or loss		**–**	31,036
Deposit received for disposal of assets and liabilities classified as held for sale		**1,000**	–
Payments for intangible assets		**–**	(126)
Withdrawal/(placement) in short-term bank deposits		**10,000**	(20,000)
Net cash outflow on acquisition of subsidiaries	37	**(3,078)**	(12,281)
Net cash from investing activities		**8,786**	1,080

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from financing activities			
New bank borrowings		**8,200**	–
Repayment of bank borrowings		**(1,064)**	–
Interest paid		**(201)**	–
Transaction costs attributable to issue of shares		**(53)**	–
Repayment of lease liabilities		**(6,014)**	(6,003)
Net cash from/(used in) financing activities		**868**	(6,003)
Net increase in cash and cash equivalents		**3,937**	26,396
Cash and cash equivalents at the beginning of year		**56,323**	29,385
Effect of foreign exchange rate changes, net		**(172)**	542
Cash and cash equivalents at the end of year		**60,088**	56,323
Represented by:			
Cash and bank balances	22	**57,045**	56,323
Cash and bank balances classified as held for sale	23	**3,043**	–
		60,088	56,323

1 GENERAL INFORMATION

China Oral Industry Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 7 December 2017.

Its parent is Risen Thrive Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Ms. Yan Ping. Its ultimate controlling party is Ms. Yan Ping, who is also the chairlady and an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Unit 304, Dominion Centre, 43 Queen's Road East, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacturing and sales of inflatable products and related accessories, and the provision of dental clinic services, sales of dental related products and sales of yarn and polyester in the People's Republic of China (the "**PRC**").

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollars ("**HK$**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the PRC.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and amendments to HKFRSs in issue 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:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvement of HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Certain comparative figures have been reclassified to conform with current year's presentation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations (Continued)

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Non-current assets held for sale (Continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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

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

Control of the goods or service may be transferred over time or at a point in time. 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 Group performs; 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 customer obtains control of distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

The Group recognises revenue from the following goods and services:

(i) *Sale of goods*

The Group manufactures and sells inflatable products and related accessories. Revenue is recognised when the control of the products is considered to have been transferred to the customers.

Revenue from the sale of products is recognised when control of the products has transferred, being at the point the products are delivered to the customers and the customers have full discretions to sell the products and no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from these sale is recognised based on the price specified in the contract, net of returns and value added taxes.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under trade and other payables as receipt in advance from customers in the consolidated statement of financial position.

(ii) *Provision of sub-contracting services*

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from provision of sub-contracting services is recognised based on the actual service provided.

(iii) *Provision of dental clinic services*

Revenue from the rendering of dental services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from the rendering of orthodontics and implantology dentistry services is recognised over time using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of the staff costs and/or costs of inventories, consumables and customised products, where appropriate, relative to the total expected costs to complete the service. When the payments received from customers exceed the services rendered, a contract liability is recognised.

Revenue from the rendering of general and other dentistry services is recognised when the services have been rendered given that such dental services are generally completed within a very short period of time.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

(iv) Sale of dental related products

Revenue from sale of medical equipment and dental materials is recognised when the control of the products is considered to have been transferred, being when the goods are delivered and accepted by the customers.

(v) Sale of yarn and polyester

Revenue from sale of yarn and polyester is recognised when the control of the products is considered to have been transferred, being when the goods are delivered and accepted by the customers.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group apply the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on a short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs incurred by the Groups; and
- an estimate of costs to be incurred by the Groups in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payment (including in-substance fixed payments) less any lease incentives receivables;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of an option if the Group is reasonably certain to exercise the option; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

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

- The lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognise in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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 sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use of sale.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable 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.

Retirement benefit costs

Payments to the defined contribution benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management and, for qualifying assets, borrowing costs capitalised in accordance with Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash generating-unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

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 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 unit, the Group compares the carrying amount of a group of cash-generating units, including 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 cash-generating unit or a group of cash-generating units) 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 cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of 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 than for investment or other purposes.

For the purposes of the consolidated statement 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

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 and financial liabilities at fair value through profit or loss ("**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 or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meets the following conditions are subsequently measured at amortised cost:

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

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

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

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchase or originated credit-impaired financial assets, 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at 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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables and cash and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk 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:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a 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; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a 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 has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Despite the aforegoing, 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) it has a low risk of default, (ii) the borrower 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 may, 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 it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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 a 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 bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the net cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustments is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other income and gains' line item as part of the net foreign exchange gains;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other income and gains' line item as part of the gain on fair value changes of financial assets at fair value through profit or loss.

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 receivables is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 an equity instrument.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a shareholder and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other income and gains' line item in profit or loss as part of net foreign exchange gains for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises a financial asset when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment loss on trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the client's past history collection record, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the loss allowances at each reporting period.

Impairment assessment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment. The recoverable amount of cash-generating units were determined based on value in use calculation. These calculations require the use of estimates.

Management prepares discounted future cash flows to assess the difference between the carrying amount and their value in use and provided for impairment loss. Any change in the assumptions adopted in the discounted cash flows would increase or decrease in the impairment loss and affect the Group's net asset value and profit or loss.

5. SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and performance assessment.

In prior year, the Group has two operating segments which are the manufacturing and sales of inflatable products and related accessories and provision of dental clinic services and sales of dental related products in the PRC. Upon completion of acquisition of HongKong Taixing Holding Co., Limited ("**HongKong Taixing**") and its subsidiaries during the year as detailed in note 37, the Group commenced the business engaging in the sales of yarn and polyester. For the purpose of resource allocation and performance assessment, management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Specifically, the Group's business activities are operated and managed as three segments as follows:

(i) Inflatable products business – manufacturing and sales of inflatable products and related accessories;

(ii) Dental clinic business – provision of dental clinic services and sales of dental related products in the PRC; and

(iii) Yarn and polyester business – sales of yarn and polyester.

Segment revenue and results

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

For the year ended 31 December 2024

	Inflatable products business RMB'000	Dental clinic business RMB'000	Yarn and polyester business RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	174,710	22,531	33,718	230,959
Segment results	2,177	(14,490)	(542)	(12,855)
Interest income on bank deposits				700
Loss on lease modification				(38)
Net foreign exchange gains				1,563
Directors' remuneration				(2,125)
Unallocated corporate expenses				(3,684)
Loss before tax				(16,439)

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2023

	Inflatable products business RMB'000	Dental clinic business RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	151,177	15,740	166,917
Segment results	(19,176)	857	(18,319)
Interest income on bank deposits			753
Gain on lease modification			280
Gain on financial assets at fair value through profit or loss			137
Net foreign exchange gains			3,761
Directors' remuneration			(2,325)
Unallocated corporate expenses			(2,695)
Loss before tax			(18,408)

There were no inter-segment sales in the current year (2023: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the (loss)/profit from each segment without allocation of interest income on bank deposits, loss/gain on lease modification, gain on financial assets at fair value through profit or loss, net foreign exchange gains, directors' remuneration and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 December 2024

	Inflatable products business RMB'000	Dental clinic business RMB'000	Yarn and polyester business RMB'000	Total RMB'000
Segment assets	69,701	33,640	31,578	134,919
Bank deposits with maturity period over three months				10,000
Cash and bank balances				57,045
Corporate and other unallocated assets				495
Consolidated assets				202,459
Segment liabilities	53,222	8,467	10,203	71,892
Amount due to a shareholder				11,794
Deferred tax liabilities				2,171
Corporate and other unallocated liabilities				9,464
Consolidated liabilities				95,321

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2023

	Inflatable products business RMB'000	Dental clinic business RMB'000	Total RMB'000
Segment assets	61,296	45,491	106,787
Bank deposits with maturity period over three months			20,000
Cash and bank balances			56,323
Corporate and other unallocated assets			665
Consolidated assets			183,775
Segment liabilities	54,747	5,739	60,486
Amount due to a shareholder			8,954
Deferred tax liabilities			2,334
Corporate and other unallocated liabilities			7,336
Consolidated liabilities			79,110

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

- all assets are allocated to reportable segments other than bank deposits with maturity period over three months, cash and bank balances (excluding cash and bank balances classified as held for sale) and corporate and other unallocated assets; and

- all liabilities are allocated to reportable segments other than amount due to a shareholder, deferred tax liabilities and corporate and other unallocated liabilities.

5. SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment results or segment assets:

For the year ended 31 December 2024

	Inflatable products business RMB'000	Dental clinic business RMB'000	Yarn and polyester business RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (Note)	**793**	**–**	**14**	**–**	**807**
Gain on disposal of property, plant and equipment	**220**	**–**	**–**	**–**	**220**
Depreciation of property, plant and equipment	**2**	**450**	**–**	**–**	**452**
Depreciation of right-of-use assets	**341**	**750**	**–**	**–**	**1,091**
(Reversal of write-down)/write-down on inventories	**(4,374)**	**3,335**	**–**	**–**	**(1,039)**
(Reversal of impairment)/impairment loss on trade and other receivables under the expected credit loss model, net	**(222)**	**505**	**1,351**	**–**	**1,634**
Impairment loss of goodwill	**–**	**7,200**	**–**	**–**	**7,200**

For the year ended 31 December 2023

	Inflatable products business RMB'000	Dental clinic business RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (Note)	914	6,030	–	6,944
Loss on disposal of property, plant and equipment	376	–	–	376
Depreciation of property, plant and equipment	1,147	454	–	1,601
Amortisation of intangible assets	68	–	–	68
Depreciation of right-of-use assets	2,455	717	–	3,172
Write-down on inventories	1,581	–	–	1,581
(Reversal of impairment)/impairment loss on trade and other receivables under the expected credit loss model, net	(311)	217	–	(94)
Impairment loss on other non-financial assets	10,223	–	–	10,223

Note: Non-current assets exclude goodwill.

5. SEGMENT INFORMATION (Continued)

Geographical information

All of the Group's operations are located in the PRC and Hong Kong. All of the Group's non-current assets (excluding goodwill) are located in the PRC. Accordingly, no geographical analysis is presented.

The following is an analysis of the Group's revenue by geographical segments:

	2024 RMB'000	2023 RMB'000
Revenue from external customers:		
– China	**76,764**	26,781
– Europe	**19,165**	11,142
– Australia and Oceania	**2,539**	3,005
– North America	**112,765**	99,872
– Asia	**18,609**	24,773
– Central and South America	**1,117**	1,344
	230,959	166,917

Information about major customers

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

	2024 RMB'000	2023 RMB'000
Customer A[1]	**61,463**	54,237
Customer B[1]	**N/A[2]**	16,834

1 Revenue from inflatable products business.

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

6. REVENUE

An analysis of the Group's revenue by category is as follows:

	2024 RMB'000	2023 RMB'000
Sale of inflatable products and related accessories	**170,790**	150,860
Sub-contracting income	**3,920**	317
Provision of dental services	**10,257**	9,695
Sale of medical equipment	**2,687**	1,450
Sale of dental materials	**9,587**	4,595
Sale of yarn and polyester	**33,718**	–
	230,959	166,917

Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Inflatable playgrounds with air blowers	**155,075**	140,235
Other inflatable products	**958**	196
Inflatable products related accessories and sub-contracting work	**18,677**	10,746
General and other dentistry services	**4,217**	3,966
Orthodontics and implantology dentistry services	**6,040**	5,729
Sale of medical equipment	**2,687**	1,450
Sale of dental materials	**9,587**	4,595
Sale of yarn and polyester	**33,718**	–
	230,959	166,917
Timing of revenue recognition		
At a point in time	**220,702**	157,222
Over time	**10,257**	9,695
	230,959	166,917

The Group's contract with customers for the sale of inflatable products and related accessories include only one single performance obligation and the Group recognises revenue from sale at the point of time when the customers obtain control of the goods.

Revenue from sale of medical equipment and dental materials and revenue from sale of yarn and polyester are recognised at the point of time when the customers obtain control of the goods, being when the goods are delivered and accepted by the customers.

6. REVENUE (Continued)

Revenue from the rendering of orthodontics and implantology dentistry services is recognised over time using an input method to measure progress towards complete satisfaction of the service. The Group determined that the input method is the best method in measuring the progress of orthodontics and implantology dentistry services because there is a direct relationship between the Group's effort and the transfer of services to the customer.

Revenue from the rendering of general and other dentistry services is recognised when the services have been rendered given that such dental services are generally completed within a very short period of time.

Liabilities related to contracts with customers

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Sales of inflatable products and related accessories	**1,113**	1,053
– Rendering of dental services	**1,571**	–
	2,684	1,053

Transaction price allocated to the remaining performance obligation for contracts with customers

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

Provision of dental services

The amounts of transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and 2023 and the expected timing of recognising revenue are as follows:

	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**3,354**	2,205
After one year	**1,475**	–
	4,829	2,205

The amount of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to provision of orthodontics dentistry services, of which the performance obligations are expected to be satisfied within three years.

6. REVENUE (Continued)

Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

Sales of inflatable products and related accessories and sale of yarn and polyester

All the amount of transaction prices allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) at the end of the reporting period relating to sales of inflatable products and related accessories and sales of yarn and polyester are expected to be recognised as revenue within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME AND GAINS

	2024 **RMB'000**	2023 RMB'000
Interest income on bank deposits	**700**	753
Rental income	**–**	240
Grants and subsidies (Note)	**93**	52
Gain on lease modification	**–**	280
Gain on disposal of property, plant and equipment	**220**	–
Gain on fair value changes of financial assets at fair value through profit or loss	**–**	137
Net foreign exchange gains	**1,563**	3,761
Others	**10**	245
	2,586	5,468

Note: Grants and subsidies mainly consist of gross grants and subsidies by local governments in relation to corporate development, human resources scheme and compensation for expenses already incurred. The amounts of these grants and subsidies are subject to discretions of local governments and there are no unfulfilled conditions or contingencies.

8. FINANCE COSTS

	2024 **RMB'000**	2023 RMB'000
Interest on lease liabilities	**552**	1,015
Interest on bank borrowings	**201**	–
	753	1,015

9. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax		
Hong Kong Profits Tax	**71**	16
PRC Enterprise Income Tax	**92**	101
Under provided in prior years	**–**	310
Deferred tax (Note 29)	**(163)**	(209)
Total income tax expense recognised in profit or loss	**–**	218

For the years ended 31 December 2024 and 2023, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation under Hong Kong Profits Tax will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongshan City was registered as a High and New Technology Enterprise and was entitled to the preferential corporate income tax rate of 15% for a period of 3 years to 2023.

For the Group's PRC subsidiaries recognised as Small and Micro Enterprise ("**SME**") by the relevant government authorities was subject to an 80% deduction of the assessable profits.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2024 RMB'000	2023 RMB'000
Loss before tax	**(16,439)**	(18,408)
Tax at PRC Enterprise Income Tax rate of 25% (2023: 15%) (Note)	**(4,110)**	(2,761)
Tax effect of expenses not deductible for tax purpose	**2,600**	1,364
Tax effect of non-taxable income	**(66)**	(242)
Tax effect of deductible temporary differences not recognised	**–**	515
Utilisation of deductible temporary difference previously not recognised	**(2,187)**	–
Withholding tax on undistributed profits	**(163)**	(215)
Tax effect of tax losses not recognised	**2,292**	2,367
Utilisation of tax losses previously not recognised	**(7)**	(88)
Under provided in prior years	**–**	310
Effect of different tax rates of group entities operating in different jurisdictions	**1,641**	(1,032)
Income tax expense for the year	**–**	218

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

10. LOSS FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Auditors' remuneration	**823**	802
Cost of inventories recognised as an expense	**188,629**	135,924
Depreciation of property, plant and equipment (Note (i))	**452**	1,601
Depreciation of right-of-use assets (Note (ii))	**1,091**	3,172
(Gain)/loss on disposal of property, plant and equipment	**(220)**	376
Loss/(gain) on lease modification	**38**	(280)
(Reversal of write-down)/write-down of inventories	**(1,039)**	1,581
Amortisation of intangible assets	**–**	68
Short-term lease expenses (Note (iii))	**15**	18
Employee benefits expense (including directors' emoluments (Note 11)):		
Salaries, wages and other benefits	**46,923**	39,843
Contribution to retirement benefits schemes	**4,238**	2,158
Total employee benefits expense (Note (iv))	**51,161**	42,001

Notes:

(i) Depreciation of property, plant and equipment amounting to approximately RMB189,000 (2023: RMB1,132,000) are capitalised in inventories and amounting to approximately RMB263,000 (2023: RMB469,000) are included in administrative and other operating expenses.

(ii) Depreciation of right-of-use assets amounting to approximately RMB800,000 (2023: RMB2,890,000) are capitalised in inventories and amounting to approximately RMB291,000 (2023: RMB282,000) are included in administrative and other operating expenses.

(iii) These amounts are not included in the measurement of lease liabilities.

(iv) Total employee benefits expense amounting to approximately RMB37,716,000 (2023: RMB29,073,000) are capitalised in inventories; amounting to approximately RMB2,893,000 (2023: RMB2,306,000) are included in distribution and selling expenses; and amounting to approximately RMB10,552,000 (2023: RMB10,622,000) are included in administrative and other operating expenses.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company were as follows:

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2024					
Executive directors					
Ms. Yan Ping	**609**	**–**	**–**	**–**	**609**
Mr. Liu Yao Guang	**365**	**–**	**–**	**–**	**365**
Mr. Xiao Jiansheng	**74**	**544**	**144**	**1**	**763**
Independent non-executive directors					
Ms. Shen Jindan	**111**	**–**	**–**	**–**	**111**
Ms. Lian Jingyu	**111**	**–**	**–**	**–**	**111**
Ms. Deng Xin	**111**	**–**	**–**	**–**	**111**
Ms. Tseung Choi Wing Queenie (Note)	**55**	**–**	**–**	**–**	**55**
	1,436	**544**	**144**	**1**	**2,125**
2023					
Executive directors					
Ms. Yan Ping	622	–	–	–	622
Mr. Liu Yao Guang	373	185	–	–	558
Mr. Xiao Jiansheng	72	545	200	1	818
Independent non-executive directors					
Ms. Shen Jindan	109	–	–	–	109
Ms. Lian Jingyu	109	–	–	–	109
Ms. Deng Xin	109	–	–	–	109
	1,394	730	200	1	2,325

Note: Appointed on 16 July 2024.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2024 (2023: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2023: three) of them are directors of the Company whose emoluments are set out in note 11 above. Details of the emoluments in respect of the remaining three (2023: two) highest paid individuals are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other benefits in kind (Note)	**1,970**	1,511
Contributions to retirement benefits schemes	**16**	16
	1,986	1,527

Note: Amounts included discretionary bonuses of approximately RMB473,000 (2023: RMB289,000).

The number of the highest paid employees who are not the directors of the company whose remuneration fell within the following bands is as follows:

	2024	2023
	No. of employees	No. of employees
Nil to HK$1,000,000	**2**	1
HK$1,000,000 to HK$1,500,000	**1**	1
	3	2

During the year ended 31 December 2024, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2023: Nil).

13. DIVIDENDS

No final dividend was proposed by the board of directors in respect of the years ended 31 December 2024 and 2023.

14. LOSS PER SHARE

The diluted loss per share is equal to the basic loss per share as there is no dilutive potential ordinary share in issue during the years ended 31 December 2024 and 2023.

	2024 **RMB'000**	2023 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(16,439)**	(18,626)

	2024 **'000**	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,126,230**	960,000

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Furniture, fixture and equipment RMB'000	Total RMB'000
Cost						
Balance at 1 January 2023	8,760	20,505	–	1,249	2,926	33,440
Additions	–	268	1,239	302	33	1,842
Acquisition of subsidiaries (Note 37)	560	–	496	–	328	1,384
Disposals	(119)	(1,929)	–	–	–	(2,048)
Effect of foreign exchange differences	–	–	–	–	1	1
Balance at 31 December 2023	**9,201**	**18,844**	**1,735**	**1,551**	**3,288**	**34,619**
Additions	**–**	**40**	**–**	**–**	**16**	**56**
Acquisition of subsidiaries (Note 37)	**–**	**–**	**–**	**12**	**2**	**14**
Disposals	**–**	**(113)**	**–**	**(432)**	**–**	**(545)**
Reclassified as held for sale (Note 23)	**(5,906)**	**(8,668)**	**–**	**(160)**	**(150)**	**(14,884)**
Effect of foreign exchange differences	**–**	**–**	**–**	**–**	**1**	**1**
Balance at 31 December 2024	**3,295**	**10,103**	**1,735**	**971**	**3,157**	**19,261**
Accumulated depreciation and impairment						
Balance at 1 January 2023	8,297	16,046	–	1,035	2,527	27,905
Depreciation expense	281	838	88	101	293	1,601
Eliminated on disposals	(90)	(1,582)	–	–	–	(1,672)
Impairment loss recognised in profit or loss	321	3,542	–	415	337	4,615
Effect of foreign exchange differences	–	–	–	–	1	1
Balance at 31 December 2023	**8,809**	**18,844**	**88**	**1,551**	**3,158**	**32,450**
Depreciation expense	**168**	**–**	**189**	**–**	**95**	**452**
Eliminated on disposals	**–**	**(113)**	**–**	**(432)**	**–**	**(545)**
Reclassified as held for sale (Note 23)	**(5,906)**	**(8,668)**	**–**	**(160)**	**(150)**	**(14,884)**
Effect of foreign exchange differences	**–**	**–**	**–**	**–**	**1**	**1**
Balance at 31 December 2024	**3,071**	**10,063**	**277**	**959**	**3,104**	**17,474**
Carrying amounts						
Balance at 31 December 2024	**224**	**40**	**1,458**	**12**	**53**	**1,787**
Balance at 31 December 2023	392	–	1,647	–	130	2,169

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Leasehold improvements	Over the shorter of the term of the lease, and 2 to 10 years
Plant and machinery	6 to 10 years
Medical equipment	7 to 10 years
Motor vehicles	5 years
Furniture, fixture and equipment	3 to 10 years

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

During the year ended 31 December 2024, the Group has performed impairment assessment to the goodwill. Property, plant and equipment as disclosed above are allocated to the CGUs for impairment assessment (Note 17). Based on the impairment assessed conducted by management, there's no impairment recognised on property, plant and equipment as at 31 December 2024.

During the year ended 31 December 2023, the Group's operation of inflatable products business was adversely affected by the challenging global economy and weak customer demand. Because of worse-than expected performance of the inflatable products business operation and the loss sustained by the Group, management considered certain property, plant and equipment, right-of-use assets and intangible assets of the Group were subject to impairment at 31 December 2023 and performed an impairment assessment thereon with reference to valuation performed by an independent professional valuer.

For the purpose of impairment testing, property, plant and equipment, right-of-use assets and intangible assets for the Group's inflatable products business operation have been considered as one cash-generating unit ("**Inflatable products business CGU**") as these assets are related to the inflatable products business operation. The recoverable amount has been determined based on the value in use calculation. Management uses cash flow projections based on the most recent financial budget after taking into accounts the operation environment and market conditions at the point of time and covering a five-year period. Cash flow beyond the five-year period are extrapolated using the growth rate of 2.2%. The key assumptions for the value in use calculation are those regarding the discount rate, revenue and direct costs. As at 31 December 2023, management estimates the discount rate of 16.1% using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in revenue and direct costs are based on past experience and expectations of changes in market.

Based on the impairment assessment conducted by management, impairment loss of approximately RMB4,615,000, RMB5,204,000 and RMB404,000 were recognised on property, plant and equipment, right-of-use assets and intangible assets respectively in profit or loss during the year ended 31 December 2023 in order to write down the carrying amounts of the property, plant and equipment, right-of-use assets and intangible assets to their recoverable amounts.

16. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000
Cost	
Balance at 1 January 2023	28,019
Additions	185
Acquired on acquisition of subsidiaries (Note 37)	3,407
Lease modification	(232)
Disposal	(1,496)
Effect of foreign exchange differences	7
Balance at 31 December 2023	**29,890**
Additions	**737**
Reclassified as held for sale (Note 23)	**(9,531)**
Effect of foreign exchange differences	**23**
Balance at 31 December 2024	**21,119**
Accumulated depreciation and impairment	
Balance at 1 January 2023	21,002
Depreciation expense	3,172
Lease modification	(689)
Eliminated on disposal	(1,496)
Impairment loss recognised (Note 15)	5,204
Effect of foreign exchange differences	7
Balance at 31 December 2023	**27,200**
Depreciation expense	**1,091**
Reclassified as held for sale (Note 23)	**(9,280)**
Effect of foreign exchange differences	**23**
Balance at 31 December 2024	**19,034**
Carrying amounts	
Balance at 31 December 2024	**2,085**
Balance at 31 December 2023	2,690

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases:

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets	**1,091**	3,172
Interest expense on lease liabilities	**552**	1,015
Impairment loss recognised	**–**	5,204
Expense relating to short-term leases	**15**	18
Additions to right-of-use assets	**737**	185
Total cashflow for leases	**6,029**	6,021

Short-term leases relate to lease of premises.

17. GOODWILL

	RMB'000
Cost	
Balance at 1 January 2023	–
Arising on acquisition of subsidiaries (Note 37)	14,379
Balance at 31 December 2023	**14,379**
Arising on acquisition of subsidiaries (Note 37)	**883**
Balance at 31 December 2024	**15,262**
Impairment	
Balance at 1 January 2023 and 31 December 2023	**–**
Impairment loss recognised in the year	**7,200**
Balance at 31 December 2024	**7,200**
Carrying amounts	
Balance at 31 December 2024	**8,062**
Balance at 31 December 2023	14,379

Impairment test for cash generating units containing goodwill

The goodwill of approximately RMB883,000 arose from the acquisition of the entire equity interest in HongKong Taixing and its subsidiaries (as detailed in note 37) during the year ended 31 December 2024 and the goodwill of approximately RMB14,379,000 arose from the acquisition of the entire equity interest in Hongkong Eko and its subsidiary (as detailed in note 37) during the year ended 31 December 2023.

For the purposes of impairment testing, goodwill is allocated to the Group's cash generating units ("**CGUs**") identified as follows:

	2024 **RMB'000**	2023 RMB'000
Dental clinic business	**14,379**	14,379
Yarn and polyester business	**883**	–
	15,262	14,379

In addition to goodwill above, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill are also included in the above CGUs for the purpose of impairment assessment.

17. GOODWILL (Continued)

Dental clinic business CGU

The recoverable amount has been determined based on the value in use calculation with reference to valuation performed by an independent professional valuer. Management uses cash flow projections based on the most recent financial budget after taking into accounts the operation environment and market conditions at the point of time and covering a five-year period. Cash flow beyond the five-year period are extrapolated using the growth rate of 2% (2023: 2.2%). The key assumptions for the value in use calculation are those regarding the discount rate, revenue and direct costs. As at 31 December 2024, management estimates the discount rate of 16% (2023: 16%) using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in revenue and direct costs are based on past experience and expectations of changes in market.

Based on the impairment assessment conducted by management, impairment loss of approximately RMB7,200,000 was recognised on goodwill in profit or loss during the year ended 31 December 2024 in order to write down the carrying amount of goodwill to its recoverable amount.

During the year ended 31 December 2023, management of the Group determines that there is no impairment on the dental clinic business CGU. Management believes that a reasonably possible change in the assumptions would not cause the carrying amount of the dental clinic business CGU to exceed the recoverable amount of the CGU.

Yarn and polyester business CGU

The recoverable amount has been determined based on the value in use calculation with reference to valuation performed by an independent professional valuer. Management uses cash flow projections based on the most recent financial budget after taking into accounts the operation environment and market conditions at the point of time and covering a five-year period. Cash flow beyond the five-year period are extrapolated using the growth rate of 2%. The key assumptions for the value in use calculation are those regarding the discount rate, revenue and direct costs. As at 31 December 2024, management estimates the discount rate of 15% using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in revenue and direct costs are based on past experience and expectations of changes in market.

During the year ended 31 December 2024, management of the Group determines that there is no impairment on the yarn and polyester business CGU. Management believes that a reasonably possible change in the assumptions would not cause the carrying amount of the yarn and polyester business CGU to exceed the recoverable amount of the CGU.

18. INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Total RMB'000
Cost			
Balance at 1 January 2023	617	1,314	1,931
Additions	–	126	126
Written-off	(220)	(552)	(772)
Balance at 31 December 2023	**397**	**888**	**1,285**
Written-off	**–**	**(179)**	**(179)**
Balance at 31 December 2024	**397**	**709**	**1,106**
Accumulated amortisation			
Balance at 1 January 2023	457	1,128	1,585
Amortisation expense	21	47	68
Eliminated on written off	(220)	(552)	(772)
Impairment loss recognised (Note 15)	139	265	404
Balance at 31 December 2023	**397**	**888**	**1,285**
Eliminated on written off	**–**	**(179)**	**(179)**
Balance at 31 December 2024	**397**	**709**	**1,106**
Carrying amounts			
Balance at 31 December 2024	**–**	**–**	**–**
Balance at 31 December 2023	–	–	–

The following useful lives are used in the calculation of amortisation:

Patents	10 years
Trademarks	10 years

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**29,529**	13,342
Work in progress	**13,189**	18,463
Finished goods	**12,921**	11,456
Medical equipment	**2,416**	9,398
Dental materials	**1,207**	8,380
	59,262	61,039

20. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables arising from		
– Inflatable products business	**15,235**	11,540
– Dental clinic business	**13,937**	6,830
– Yarn and polyester business	**6,641**	–
Allowance for expected credit losses	**(2,038)**	(663)
	33,775	17,707

As at 1 January 2023, trade receivables arising from contracts with customers amounted to approximately RMB22,738,000.

The following is an analysis of trade receivables by age, net of allowance for expected credit losses, presented based on the invoice dates:

	2024 RMB'000	2023 RMB'000
0–30 days	**20,537**	16,698
31–60 days	**3,932**	849
61–90 days	**1,821**	100
91–120 days	**4,080**	60
121–365 days	**3,405**	–
	33,775	17,707

20. TRADE RECEIVABLES (Continued)

The carrying amounts of trade receivables (net of allowance for credit losses) of the Group's major businesses are as follows:

	2024 RMB'000	2023 RMB'000
Inflatable products business	**14,940**	11,071
Dental clinic business	**13,545**	6,636
Yarn and polyester business	**5,290**	–
	33,775	17,707

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows credit period ranging from 0 to 270 days. No interest is charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Trade receivables that are neither past due nor impaired relate to a number of independent customers with good settlement history.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for trade receivables. Details of which are set out in note 35 to the consolidated financial statements.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Deposits paid	**938**	1,048
Value-added tax	**4,534**	3,411
Prepayments for supplies and services (Note)	**8,803**	2,235
Other receivables	**2,574**	2,774
	16,849	9,468

Note: Included in the balance of prepayment for supplies and services at 31 December 2024 were prepayment for sub-contracting fee, purchase of materials and other expenses which are to be used for the business operation of the Group.

22. BANK DEPOSITS AND CASH AND BANK BALANCES

	2024 RMB'000	2023 RMB'000
Short-term bank deposits with maturity period over three months	**10,000**	20,000
Cash and cash equivalents		
– cash at bank and in hand	**57,045**	56,323
	67,045	76,323

Cash at banks earn interest at floating rates based on daily bank deposit rates.

23. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 24 December 2024, the Group entered into a sale agreement to dispose of a subsidiary, 中山市潤和高分子材料製造有限公司Zhongshan Runhe Macromolecular Materials Manufacture Limited ("**Zhongshan Runhe**"), which carried out part of manufacturing process of the Group's inflatable products manufacturing operation, at a cash consideration of RMB2,400,000. As at 31 December 2024, the Group has received RMB1,000,000 as deposit for the aforesaid disposal. The disposal was effected for the group entities restructuring and generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 2 January 2025.

The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the carrying amount of the relevant net liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the subsidiary as at 31 December 2024, which have been presented separately in the consolidated statement of financial position, are as follows:

	RMB'000
Property, plant and equipment	–
Right-of-use assets	251
Inventories	8,080
Trade receivables	588
Prepayments, deposits and other receivables	1,505
Cash and bank balances	3,043
Total assets classified as held for sale	13,467
Trade and other payables	6,302
Bank borrowings (Note)	8,000
Lease liabilities	5,887
Total liabilities associated with assets classified as held for sale	20,189

Note: The bank borrowings carry fixed interest rate at 3.1% per annum, repayable within one year and are secured by land and buildings of a landlord which relating to certain of the Group's right-of-use assets.

24. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables (Note (i))	**16,090**	28,826
Accrued salaries and other benefits (Note (ii))	**10,890**	10,390
Deposit received for assets and liabilities classified as held for sale (Note 23)	**1,000**	–
Refund liabilities (Note (iii))	**3,363**	–
Other payables and accruals	**17,072**	10,392
	48,415	49,608

Notes:

(i) The trade payables are non-interest bearing.

The following is an analysis of trade payables based on the invoice date:

	2024 RMB'000	2023 RMB'000
0–30 days	**9,145**	13,772
31–60 days	**3,682**	7,350
61–90 days	**1,693**	6,380
91–120 days	**881**	355
121–365 days	**454**	898
Over 365 days	**235**	71
	16,090	28,826

(ii) Accrued salaries and other benefits disclosed above included emoluments payable to the directors of the Company amounting to approximately RMB1,295,000 (2023: RMB527,000) as at 31 December 2024.

(iii) The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for the sold products expected to be returned. The Group's corresponding right to recover products from customers where customers exercise their right of return under the Group's returns policies amounting to approximately RMB443,000 as at 31 December 2024 was included in inventories.

The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

25. AMOUNT DUE TO A SHAREHOLDER

The amount due to Ms. Yan Ping, a substantial shareholder and an executive director of the Company, is unsecured, interest-free and repayable on demand.

26. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Current	**2,616**	5,263
Non-current	**1,387**	9,310
	4,003	14,573
Lease liabilities payable:		
Within 1 year	**2,616**	5,263
After 1 year but within 2 years	**852**	3,496
After 2 years but within 5 years	**535**	4,570
Over 5 years	**–**	1,244
	4,003	14,573

The Group leases certain properties for its operations. Lease contracts are entered into for terms ranging from 2 to 6 (2023: 2 to 10) years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. The weighted average incremental borrowing rate applied to lease liabilities at 31 December 2024 was approximately 4% (2023: 6%).

27. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities	**8,073**	3,625

As at 1 January 2023, contract liabilities amounted to approximately RMB2,150,000.

Contract liabilities include advances received for sale of inflatable products and related accessories, rendering of dental services and sale of yarn and polyester. The increase in contract liabilities at the end of the year was mainly due to the increase in advances received from customers in relation to the provision of dental services and sale of yarn and polyester.

28. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans	**676**	–

The carrying amounts of the above borrowings are analysed based on contractual repayment date as follows:

	2024 RMB'000	2023 RMB'000
The carrying amount of the borrowings are repayable:		
Within one year	**239**	–
The carrying amount of borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	**408**	–
Within a period of more than one year but not exceeding two years	**29**	–
	437	–
Total amounts shown under current liabilities	**676**	–

The bank loans carry fixed interest rates ranging from 8.6% to 18% per annum and are guaranteed by a director of a subsidiary.

29. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024	2023
	RMB'000	RMB'000
Deferred tax liabilities	**(2,171)**	(2,334)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	ECL	**Withholding tax on undistributed profits**	**Lease liabilities**	**Right-of-use assets**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	6	(2,549)	1,390	(1,390)	(2,543)
Acquisition of subsidiaries (Note 37)	–	–	851	(851)	–
Credited/(charged) to profit or loss (Note 9)	(6)	215	(1,569)	1,569	209
At 31 December 2023	**–**	**(2,334)**	**672**	**(672)**	**(2,334)**
Reclassified as held for sale (Note 23)	**–**	**–**	**(63)**	**63**	**–**
Credited/(charged) to profit or loss (Note 9)	**–**	**163**	**(88)**	**88**	**163**
At 31 December 2024	**–**	**(2,171)**	**521**	**(521)**	**(2,171)**

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences to accumulated profits of the PRC subsidiary amounting to approximately RMB21 million (2023: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of approximately RMB21 million (2023: RMB22 million) available for offsetting against future profits and deductible temporary differences of approximately RMB14 million (2023: RMB29 million). No deferred tax asset has been recognised in respect of these unused tax losses and deductible temporary differences due to the unpredictability of future profit streams. The unused tax losses of the Group of approximately RMB21 million (2023: RMB22 million) may be carried forward for a maximum period of five years.

30. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares '000	**Share capital** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2023 and 31 December 2024	**2,000,000**	**20,000**
Issued and fully paid:		
At 1 January 2023 and 31 December 2023	960,000	9,600
Shares issued for acquisition of subsidiaries (Note 37)	180,000	1,800
At 31 December 2024	**1,140,000**	**11,400**

	2024 **RMB'000**	2023 RMB'000
Equivalents to RMB	**10,059**	8,427

31. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Special reserve

Special reserve represents the reserve arose pursuant to the corporate reorganisation for the purpose of the listing of the Company's shares on the GEM.

Statutory reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the PRC subsidiaries are required to transfer at least 10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase registered capital.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

32. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Scheme**") pursuant to a resolution passed on 15 November 2017. The purpose of the 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.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

32. SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

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 our Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme will remain in force for a period of ten years commencing on 15 November 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

There was no share option granted to eligible participants during the years ended 31 December 2024 and 2023. There were no outstanding share options as at 31 December 2024 and 2023.

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plans operated by the government of the PRC. 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 benefit plans is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB4,238,000 (2023: RMB2,158,000) for the year ended 31 December 2024 represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

During the years ended and as at 31 December 2024 and 2023, no contribution was forfeited (by the Group on behalf of its employees who leave the defined contribution schemes prior to vesting fully in such contributions) and be used by the Group to reduce the existing level of contributions.

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital using a gearing ratio, which is defined as debts divided by equity attributable to owners of the Company. Debts included bank borrowings as detailed in note 28 and excluded bank borrowings classified as held for sale as detailed in note 23. Equity attributable to owners of the Company comprises issued share capital and reserves. The gearing ratio at the end of the reporting period was as follows:

	2024 **RMB'000**	2023 RMB'000
Debts	**676**	–
Equity attributable to owners of the Company	**107,138**	104,665
Gearing ratio	**0.6%**	–

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Management of the Group review the capital structure regularly taking into account the cost of capital and the risks associated with the cost of capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings and repayment of existing borrowings.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Amortised cost	**104,332**	97,852
Financial liabilities		
Amortised cost	**60,815**	73,135

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank deposits with maturity period over three months, cash and bank balances, trade and other payables, amount due to a shareholder, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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 in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

For the year ended 31 December 2024, approximately 66% (2023: 82%) of the Group's revenue are denominated in United States dollar ("**US$**"). The Group's dominant operations are in the PRC and most of the operating expenses are primarily denominated in RMB. The Group is exposed to currency risk arising from currency exposures with respect to US$ and RMB. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

35. FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency risk management (Continued)

At the end of the reporting period, the carrying amounts of the Group's major monetary assets and liabilities denominated in a currency other than the functional currencies of the relevant group entities are as follows:

	2024	2023
	RMB'000	RMB'000
Assets		
US$	**45,483**	47,584
Liabilities		
US$	**3,449**	3,031

Since HK$ is pegged to US$, the directors consider that the foreign currency risk in respect of the Group's US$ denominated monetary assets and liabilities at the end of the reporting period held under the Group's subsidiary in Hong Kong is insignificant.

Sensitivity analysis

As shown in the table below, the Group is primarily exposed to changes in RMB/USD exchange rates. The following table details the Group's sensitivity to a 5% weakening in the RMB against US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB weakens against US$. For a 5% weakening of US$ against RMB, there would be an equal and opposite impact on the loss.

	2024	2023
	RMB'000	RMB'000
US$	**84**	(9)

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. The Group is exposed to cash flow interest rate risk to its variable-rate bank deposits and fair value interest rate risk in relation to its fixed-rate bank deposit, bank borrowings and lease liabilities. The management considers that the exposure to interest rate risk on variable-rates bank deposits is insignificant as interest rates on bank deposits are relatively low are not expected to change significantly. The fixed-rate instruments of the Group are insensitive to any change in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade receivables and deposits and other receivables, credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group impairment assessment under ECL model on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

At 31 December 2024	**Notes**	**12m or life-time ECL**	**Gross carrying amounts RMB'000**	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Trade receivables	20	Life-time ECL (not credit-impaired)	**35,813**	**(2,038)**	**33,775**
Deposits and other receivables	21	12m ECL	**3,424**	**(2)**	**3,422**
Other receivables	21	Life-time ECL (not credit-impaired)	**106**	**(16)**	**90**
Other receivables	21	Life-time ECL (credit-impaired)	**315**	**(315)**	**–**
Bank deposits and bank balances	22	12m ECL	**66,957**	**–**	**66,957**

At 31 December 2023	Notes	12m or life-time ECL	Gross carrying amounts RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	20	Life-time ECL (not credit-impaired)	18,158	(451)	17,707
Trade receivables	20	Life-time ECL (credit-impaired)	212	(212)	–
Deposits and other receivables	21	12m ECL	3,906	(84)	3,822
Bank deposits and bank balances	22	12m ECL	76,125	–	76,125

For trade receivables, the Group applies the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines ECL on trade receivables from the sales of inflatable products and related accessories and sales of yarn and polyester by using provision matrix. These receivables have been grouped based on the same credit risk characteristics. The expected credit loss rates are estimated based on historical observed default rates over the expected life of the debtors and adjusted for forward-looking information that is available without undue cost of effort.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on a collective basis as at 31 December 2024 and 2023:

At 31 December 2024	**Expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2.5%**	**20,003**	**500**
1–30 days past due	**25.9%**	**961**	**248**
31–60 days past due	**41.3%**	**18**	**7**
61–90 days past due	**52.2%**	**7**	**4**
Over 90 days past due	**100%**	**887**	**887**
		21,876	**1,646**

At 31 December 2023	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.7%	11,099	189
1–30 days past due	21.9%	129	28
31–60 days past due	40.4%	100	40
61–90 days past due	–	–	–
Over 90 days past due	100%	212	212
		11,540	469

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on individual basis as at 31 December 2024 and 2023:

At 31 December 2024	**Expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2.8%**	**13,937**	**392**

At 31 December 2023	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.8%	6,830	194

The Group performs impairment assessment under ECL model and provided impairment based on 12m ECL for deposits and other receivables, bank deposits and bank balances that the directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition. For the other receivables which had significant increase in credit risk or credit impaired during the year, the Group provided impairment based on lifetime ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables. As at 31 December 2024, trade receivables that are due from the Group's largest five customers approximate to 44% (2023: 56%).

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The following tables show reconciliation of loss allowance that has been recognised for trade receivables and deposits and other receivables:

Movement in the loss allowance of trade receivables:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 1 January 2023	841	–	841
Transfer to credit-impaired	(5)	5	–
Impairment losses (reversed)/recognised, net	(385)	207	(178)
At 31 December 2023	**451**	**212**	**663**
Exchange difference	**(3)**	**(7)**	**(10)**
Transfer to assets classified as held for sale	**(22)**	**–**	**(22)**
Impairment losses recognised/(reversed), net	**1,612**	**(205)**	**1,407**
At 31 December 2024	**2,038**	**–**	**2,038**

Movement in the loss allowance of deposits and other receivables:

	12m ECL RMB'000	**Lifetime ECL (not credit-impaired)** RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 1 January 2023	–	–	–	–
Impairment losses recognised	84	–	–	84
At 31 December 2023	**84**	**–**	**–**	**84**
Transfer	**(10)**	**1**	**9**	**–**
Impairment losses (reversed)/ recognised, net	**(72)**	**15**	**306**	**249**
At 31 December 2024	**2**	**16**	**315**	**333**

35. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the maturity analysis for non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024							
Trade and other payables	**–**	**44,342**	**–**	**–**	**–**	**44,342**	**44,342**
Amount due to a shareholder	**–**	**11,794**	**–**	**–**	**–**	**11,794**	**11,794**
Lease liabilities	**4%**	**4,022**	**898**	**541**	**–**	**5,461**	**4,003**
Bank borrowings	**16%**	**700**	**30**	**–**	**–**	**730**	**676**
		60,858	**928**	**541**	**–**	**62,327**	**60,815**
At 31 December 2023							
Trade and other payables	–	49,608	–	–	–	49,608	49,608
Amount due to a shareholder	–	8,954	–	–	–	8,954	8,954
Lease liabilities	6%	6,004	3,965	5,267	1,294	16,530	14,573
		64,566	3,965	5,267	1,294	75,092	73,135

35. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group did not have any financial assets and financial liabilities that are measured at fair value on a recurring basis as at 31 December 2024 and 2023.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

36. OPERATING LEASING ARRANGEMENTS

The Group as lessor

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

	2024 **RMB'000**	2023 RMB'000
Within one year	**–**	240
In the second year	**–**	40
In the third year	**–**	–
	–	280

37. ACQUISITION OF A SUBSIDIARY

Year ended 31 December 2024

On 29 January 2024, the Group completed the acquisition of the entire equity interest in HongKong Taixing at a consideration of HK$25,600,000 which was fully settled by (i) the allotment and issue of 180,000,000 consideration shares at the issue price of HK$0.12 per consideration share to the vendor; and (ii) the payment of cash of HK$4,000,000 to the vendor at completion. The fair value of the consideration transferred on completion amounting to approximately RMB22,065,000. HongKong Taixing and its subsidiaries (collectively the "**HongKong Taixing Group**") are principally engaged in sale of textile products such as polyester, yarn and knitted fabric in the PRC. The acquisition has been accounted for as acquisition of business using the acquisition method.

The following table summarises the total purchase consideration for investment, the fair value of assets acquired, and the liabilities assumed at the acquisition date:

	RMB'000
Consideration transferred	
Cash paid	**3,626**
Equity instruments issued	**18,439**
Total	**22,065**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 15)	**14**
Inventories	**25,142**
Trade receivables	**2,240**
Prepayments, deposits and other receivables	**6,090**
Cash and bank balances	**548**
Trade and other payables	**(11,312)**
Bank borrowings	**(1,540)**
Total identifiable net assets	**21,182**
Add: Goodwill (Note 17)	**883**
	22,065
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration	**3,626**
Less: Cash and cash equivalents acquired	**(548)**
Net outflow of cash – investing activities	**3,078**

The acquisition of HongKong Taixing Group was aimed at allowing the Group to diversify its customer base and broaden the Group's revenue stream. The goodwill mainly represents the synergies expected to be achieved from integrating HongKong Taixing Group into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purpose.

37. ACQUISITION OF A SUBSIDIARY (Continued)

Year ended 31 December 2024 (Continued)

The acquisition-related costs amounting to approximately RMB553,000 were charged directly to administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

The acquired business contributed revenue of approximately RMB33,718,000 and net loss of approximately RMB549,000 to the Group for the year from date of acquisition to 31 December 2024. If the acquisition had occurred from 1 January 2024, consolidated revenue and consolidated loss for the year of the Group for the year ended 31 December 2024 would have been approximately RMB234,681,000 and RMB16,216,000 respectively.

Year ended 31 December 2023

On 20 January 2023, the Group completed the acquisition of the entire equity interest in Hongkong Eko at a cash consideration of RMB13,000,000. Hongkong Eko and its subsidiary (collectively the "**Hongkong Eko Group**") are principally engaged in providing dental related services in the oral care industry in the PRC. The acquisition has been accounted for as acquisition of business using the acquisition method. The excess of the consideration over the consideration over Hongkong Eko Group's net fair value of assets and liabilities acquired amounting to RMB14,379,000 was recorded as goodwill.

The following table summarises the total purchase consideration for investment, the fair value of assets acquired, and the liabilities assumed at the acquisition date:

	RMB'000
Consideration transferred	
Cash paid	13,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 15)	1,384
Right-of-use assets (Note 16)	3,407
Inventories	1,654
Prepayments, deposits and other receivables	1,900
Cash and bank balances	719
Trade and other payables	(5,465)
Contract liabilities	(1,571)
Lease liabilities	(3,407)
Total identifiable net liabilities	(1,379)
Add: Goodwill (Note 17)	14,379
	13,000
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration	13,000
Less: Cash and cash equivalents acquired	(719)
Net outflow of cash – investing activities	12,281

37. ACQUISITION OF A SUBSIDIARY (Continued)

Year ended 31 December 2023 (Continued)

The acquisition of Hongkong Eko Group was aimed at allowing the Group to diversify its customer base and broaden the Group's revenue stream to a high growth segment. The goodwill mainly represents the synergies expected to be achieved from integrating Hongkong Eko Group into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purpose.

The acquisition-related costs were not significant and were charged directly to administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

The acquired business contributed revenue of RMB15,740,000 and net profit of RMB756,000 to the Group for the year from date of acquisition to 31 December 2023. If the acquisition had occurred from 1 January 2023, consolidated revenue and consolidated loss for the year of the Group for the year ended 31 December 2023 would have been RMB167,755,000 and RMB18,420,000 respectively.

38. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	Bank borrowings RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
As at 1 January 2023	–	15,792	15,792
Non-cash changes			
Lease modification	–	177	177
New leases	–	185	185
Acquisition of subsidiaries (Note 37)	–	3,407	3,407
Interest expenses (Note 8)	–	1,015	1,015
Cash flows	–	(6,003)	(6,003)
As at 31 December 2023	**–**	**14,573**	**14,573**
Non-cash changes			
Lease modification	**–**	**38**	**38**
New leases	**–**	**737**	**737**
Acquisition of subsidiaries (Note 37)	**1,540**	**–**	**1,540**
Interest expenses (Note 8)	**201**	**552**	**753**
Reclassified as held for sale (Note 23)	**(8,000)**	**(5,887)**	**(13,887)**
Exchange difference	**–**	**4**	**4**
Cash flows	**6,935**	**(6,014)**	**921**
As at 31 December 2024	**676**	**4,003**	**4,679**

39. CAPITAL COMMITMENTS

As at 31 December 2024, the Group has entered into contractual commitments for the acquisition of property, plant and equipment of approximately RMB1,335,000 (2023: Nil).

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the year were as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	**2,774**	3,025
Contributions to retirement benefits schemes	**1**	1
	2,775	3,026

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investment in subsidiaries	**44,360**	25,898
Current assets		
Prepayment	**495**	665
Amounts due from subsidiaries	**23,709**	26,678
Cash and bank balances	**58**	334
	24,262	27,677
Total assets	**68,622**	53,575
Current liabilities		
Other payables and accruals	**5,742**	3,615
Amounts due to subsidiaries	**18**	18
Amount due to a shareholder	**10,088**	7,290
	15,848	10,923
Net current assets	**8,414**	16,754
Total assets less current liabilities	**52,774**	42,652
Net assets	**52,774**	42,652
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**10,059**	8,427
Reserves	**42,715**	34,225
Total equity	**52,774**	42,652

The Company's statement of financial position were approved and authorised for issue by the board of directors on 31 March 2025 and signed on its behalf:

Ms. Yan Ping *Director*	**Mr. Xiao Jiansheng** *Director*

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium RMB'000	Special reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	62,355	20,392	(615)	(20,694)	61,438
Loss for the year	–	–	–	(28,532)	(28,532)
Other comprehensive income for the year	–	–	1,319	–	1,319
Total comprehensive income/(expense) for the year	–	–	1,319	(28,532)	(27,213)
Balance at 31 December 2023	**62,355**	**20,392**	**704**	**(49,226)**	**34,225**
Loss for the year	**–**	**–**	**–**	**(8,645)**	**(8,645)**
Other comprehensive income for the year	**–**	**–**	**381**	**–**	**381**
Total comprehensive income/(expense) for the year	**–**	**–**	**381**	**(8,645)**	**(8,264)**
Issue of shares	**16,807**	**–**	**–**	**–**	**16,807**
Transaction costs attributable to issue of shares	**(53)**	**–**	**–**	**–**	**(53)**
Balance at 31 December 2024	**79,109**	**20,392**	**1,085**	**(57,871)**	**42,715**

Special reserve of the Company represents the difference between the total equity of Silver Bliss Holdings Limited ("**Silver Bliss**") acquired by the Company pursuant to the corporate reorganisation over the nominal value of the Company's shares issued in exchange therefore.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of principal subsidiaries

Details of the principal subsidiaries directly or indirectly held by the Company at 31 December 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up share/registered capital	Proportion of ownership interest held by the Company 2024	2023	Principal activities
Swiftech International Limited ("**Swiftech International**")	Hong Kong	HK$1	100% (indirect)	100% (indirect)	Trading and export business of inflatable products
中山新宏達日用制品有限公司Swiftech Company Limited* ("**Swiftech Company**")	PRC	HK$48,000,000	100% (indirect)	100% (indirect)	Manufacturing of inflatable products in the PRC and trading and export business of inflatable products
Zhongshan Runhe	PRC	RMB25,000,000	100% (indirect)	100% (indirect)	Manufacturing of PVC coating, PVC laminated oxford and plastic products in the PRC
藍山新達戶外用品有限公司 Lanshan Xinda Company Limited* ("**Lanshan Xinda Company**")	PRC	RMB200,000	100% (indirect)	100% (indirect)	Provision of sub-contracting services on inflatable products in the PRC
廣州立德口腔門診部有限公司	PRC	-	100% (indirect)	100% (indirect)	Provision of dental clinic services in the PRC
石獅市惠冠紡織貿易有限公司 Shishishi Huiguan Textile Trading Co., Limited*	PRC	–	100% (indirect)	–	Sale of yarn and polyester

* The English translation of the company names is for identification purpose only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year.

43. EVENTS AFTER THE REPORTING PERIOD

(i) On 6 December 2024, the Company entered into a subscription agreement with the subscriber, with supplemental agreement entered on 30 December 2024, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 228,000,000 subscription shares at the subscription price of HK$0.14 per subscription share.

Completion took place on 24 January 2025 and a total of 228,000,000 ordinary shares of the Company has been issued to the subscriber at the subscription price of HK$0.14 per share. The net proceeds from the subscription are approximately HK$31.72 million.

(ii) The Company received a winding-up petition (the "**Petition**") on 10 February 2025 filed by a printing service provider Equity Financial Press Limited (the "**Petitioner**") against the Company at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") on 5 February 2025 in relation to the Company's overdue payment for printing services in a total outstanding amount of HK$541,150 and interest of HK$167,037.59 as at 31 December 2024.

The Company has been actively communicating with the Petitioner and the alleged debt has been settled and on 26 March 2025, by consent of the Petitioner and the Company, the High Court has ordered that the Petition be withdrawn and the hearing of the Petition on 19 April 2025 be vacated.

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**230,959**	166,917	212,519	294,917	260,735
Gross profit	**37,251**	27,035	17,571	59,857	74,911
(Loss)/profit before tax	**(16,439)**	(18,408)	(35,768)	2,835	28,554
Income tax (expense)/credit	**–**	(218)	917	(4,968)	(4,997)
(Loss)/profit for the year	**(16,439)**	(18,626)	(34,851)	(2,133)	23,557

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**202,459**	183,775	190,846	202,906	180,797
Total liabilities	**(95,321)**	(79,110)	(67,698)	(84,197)	(58,891)
Total equity	**107,138**	104,665	123,148	118,709	121,906